Senator JAVITS. I welcome you here for that and many other reasons. I have the general impression from your paper, which I did not have the opportunity to hear because we have a little business on the floor as you may have read in the papers, that you would pretty much let everything stand as it is and that you are satisfied that the policies we are pursuing, the relationship of our foreign trade balance to our gross national product and our foreign obligations—pretty much everything that you say leads to maintenance of the present posture—are the best for our country right now.

Is that a fair characterization?

Mr. MARTIN. No, I am talking only about monetary policy.

Senator JAVITS. In your field, I understand?

Mr. MARTIN. Yes.

Senator JAVITS. So you pretty much feel that way. Do you feel, however, with respect to the international balance of payments that there is reason for the disquiet expressed by many that our improved condition is temporary?

Mr. MARTIN. Yes. I think as I point out in this statement we have no reason to be complacent about it. I think we have made progress. President Kennedy has shown an awareness and an alertness of this problem that I think has been commendable.

I believe that the efforts of the Defense Department in procurement and the other efforts that have been made to get our foreign friends to share more of the burden of carrying the free world, all of it had some constructive results.

I don't think it is yet enough. I think we are making commendable progress on it and I see no reason to be discouraged.

Senator JAVITS. In all of these estimates we have seen, people always talk about an export surplus, but I see very few people that talk about the return on our foreign investments as representing any appreciable factor in our situation—both our economic situation and our international balance of payments. Yet it seems to me that this is a pretty important determinant for American policy because more and more we are investing abroad, if we are not too discouraged by the tax provisions as they ultimately come out.

It seems to me that is beginning to, or should, represent a very appreciable factor in relation to our balance with the world and therefore with what it allows us to do in domestic terms. Would you agree with that or what would be your view?

Mr. MARTIN. Yes, I would agree with that.

Senator JAVITS. Has that been taken into account as an appreciable factor? For example, you say "Up to the present time it has not been a matter of choosing between domestic and international goals."

I gather you are satisfied with the relationship of long-term to short-term interest rates in terms of dealing with the short-term capital which may leave our shores or return to them.

Mr. MARTIN. Not completely satisfied. What I am pointing out here is that up to the present time we have accepted whatever calculated risk there was in supplying the domestic economy with the requirements we think they need, even though we have not entirely equalized the possibility of an outflow of short-term funds abroad because of the higher