

Dr. ADAMS. In absolute terms, yes; but we might and perhaps we should be doing much better than we are.

Senator PROXMIRE. If we do much better, what are the other countries going to do? To the extent our trade balance is favorable, trade must be unfavorable. They cannot continue forever with their unfavorable balances of trade this big, unless we are going to continue our foreign-aid program indefinitely.

Dr. ADAMS. I think the latter prospect is a good one, if we talk in terms of reality.

Dr. KAHN. Yes.

May I say a word about the balance of payments?

It is perfectly clear that it is an oversimplification to say that America has such a seriously deteriorated competitive position in world markets that it is unable to sell. The facts just do not bear that out. As you have pointed out, we have consistently run an active or favorable balance of trade. But we must remember that one major reason why we have done so is that we have poured out dollars to the rest of the world in various foreign aid, military expenditure programs, and the like. And I am sure that if we reduce those, our exports would decline correspondingly.

The critical question, as of course you are well aware, is: What is the relationship of our favorable balance of trade in goods and services with our unfavorable balance in these unilateral transfers? And there we have run a consistent deficit.

In other words, our balance of payments remains negative by a kind of basic core of about \$2 billion.

Senator PROXMIRE. Well, that is probably because of what you gentlemen pointed out—I am not sure Mr. Lanzillotti and Mr. Kahn did—in the enormous investments that our corporations are making abroad, taking advantage of the market, labor, skill, et cetera. And that kind of private investment abroad has been very substantial.

The fact is that our trade balance has been favorable in spite of all these factors which you gentlemen have been talking about.

Mr. Lanzillotti, did you want to comment on this general question?

Dr. LANZILLOTTI. Yes, Senator; either now or after lunch.

I would not like to leave the impression that it is the consensus of this panel that there is nothing we can do about this problem of concentration. I think there are many things that we might consider.

I do not accept the conclusion which apparently has emerged here, that the level of concentration is uncorrectable. But let us assume for the moment that I did. This does not mean that there are not measures we might adopt to make these highly concentrated industries behave more competitively.

I do not have to accept these competitive bids that are identical. Even if we accepted this concentrated industry, I would like to pursue this question—even within the framework of concentration, what specific things might be done—after lunch.

Senator PROXMIRE. I think that is an excellent point.

I think on these competitive bids there is a lot we can do and should do and must do. I think we can get public indignation on our side. And the documentaiton, I think, you have done here on the chemical industry is extremely persuasive.