Secondly, though they have been given 5 years to get off their dime on international monetary reform, they have not done so. We don't have international monetary reform, and it isn't going to happen very soon.

Thirdly, we get a very wide variety of advice from them. Their military people throw up their hands in horror at any suggestion of the lessening of American military presence in Europe, for example. Their central bankers are always giving us their age-old prescription: raise interest rates in America. It will be interesting to see whether they continue that this September.

Their trade officials spend a lot of time building up protective tariff walls around the Common Market, for example, which makes it more difficult for us to get into what used to be and should be our best export market.

The subcommittee, in essence, was wondering whether a somewhat broader approach is not necessary, an approach marked, I think, by two characteristics. One, should we not say to our 20 leading partners for a change, "Look, gentlemen, you tell us whether we ought to run a deficit, what kind of a deficit, and if you think the deficit we are likely to run is greater or smaller than you think we ought to have, how do we adjust matters?"

And secondly, that this should be done on a governmental level, that the time is long past when it is really serviceable for technicians each to preach their parochial lesson to us. This is, in essence, the politically oriented question which we put, and we would welcome some reaction to that.

Let's proceed from left to right. Mr. Despres.

Mr. DESPRES. Well, the first thing I would like to say about the question is this. The way you have formulated the problem—and I think this is the way the problem is viewed generally—is exactly an example of what I called the mercantilist approach; that international payments have to be planned in relation to some target figure for net balances for each country.

We do not have a planned target for the payments deficit of the State of New York, or the payments surplus of the State of Massachusetts. In fact, nobody knows what it is, or cares, and we are not going to have a liberal economic world until we have established arrangements where things stop being approached in this way.

I don't think the deficit—I don't think the U.S. deficit today is a sign of disequilibrium. Indeed, I think the concept is a bad concept, and I think that this is the heart of the problem. You can say this isn't being very constructive, but on all these proposals—take the U.S. military dispositions as an example—a liberal economic world is one which is, as it were, "currency blind", that is, it doesn't make any difference whether an expenditure is in domestic currency or foreign currency. On the military dispositions, it seems to me that this should be decided strictly on the military and strategic and political merits, not balance-of-payments considerations at all. And I would say the same thing for aid, for travel, for commercial policy, and so on.

Chairman REUSS. May I interrupt to say, don't pin the label of David Hume on me.

Mr. DESPRES. Excuse me.

Chairman REUSS. Because these questions and points were not submitted as things that ought to be done.