Mr. DESPRES. Yes.

Chairman REUSS. Indeed, many of them appeal to many members of this subcommittee as very bad things which ought not to be done. But is it not time that the governments of the free world's industrialized nations address themselves to this problem? Maybe if they can, they would contribute to public education and their own education, and come up with the realization that the tail should not wag the dog, and that short-term and advantageous fluctuations in balance-of-payments deficits are nothing particularly to worry about.

Mr. DESPRES. They might.

Chairman REUSS. How are you ever going to do that unless you take the problem from the professional "Humeists" and worriers and the technicians in these fields?

Mr. DESPRES. Hume, I might add, was not a worrier. He said the balance of payments would take care of itself and one ought not worry about it, but it is only that this particular model doesn't fit the present-day world.

I agree with you that the positions of other governments and of this Government are full of internal inconsistencies. I saw a New York Times report, on the latest annual report of the IMF, and I haven't seen the document itself, but the Times report contained hilarious inconsistencies. On the one hand, according to their story, the IMF annual report said that tight money in the United States and the controls we had imposed on capital outflow were having most deleterious effects, and they deplored them.

On the other hand, the balance-of-payments deficit, as is the standard line in these matters, was deplored, too. We must, therefore, liberalize capital outflow, lower interest rates, and also eliminate our balance-of-payments deficit.

It would be a great step forward if people didn't ride off in all directions simultaneously, but I see no prospect that any international conference, any gathering, is going to stop this bad habit.

Chairman REUSS. If I may interrupt there, you are familiar with these gatherings. An IMF gathering is like a Japanese nogaku play. Everybody has his gestures memorized beforehand, and nothing much happens there because they all get instructions from their governments. What our subcommittee is wondering about is whether the whole drama should not be carried on at one level higher, whether this wouldn't be more productive in terms of public education, if not in actual results.

Mr. DESPRES. On the matter of the use of fiscal policy, it does seem to me that the excessive reliance on monetary policy and insufficient reliance on taxation to curb excess demand in the United States has been a main factor in the deterioration of the U.S. current account surplus. On this matter of investment incentives in particular, I think one can say today that the major deterrent to business expenditure on equipment is not on the incentive side. On the contrary, it is on the supply side. And although the National Industrial Conference Board figures show a reduction in planned appropriations in the remote future, the last part of 1967, I think if you look at these figures for the past, you will find they have always shown a reduction for the remote future for the very good reason that business firms' capital budgets are not fully formulated for a period as far ahead as the latter part of 1967.