

Of course, as our gross national product grows partially because of increases in labor costs and prices, that automatically makes us less competitive in foreign markets.

I wonder if this constant reliance, in all statements out of Defense that we do not have to worry too much about these growing costs, waste—I think we will all agree that war is waste, because it is no longer a percentage of our gross national product. I just wonder at times whether that is sound economic thinking.

Mr. ANTHONY. I think all I have said is that the \$22 billion of cost is a cost that our economy easily can handle. Now, handling it properly does imply proper monetary policies, proper fiscal policies. It does not automatically handle itself. But it is a manageable problem, and the fact is we have managed it without price controls and wage controls.

Senator SYMINGTON. So you feel it is a sound approach, as you say on the first page of your statement, that “8.9 percent of our gross national product in fiscal 1967,” which you say, “is exactly the same percentage as that in 1962.”

Mr. ANTHONY. A sound approach in what sense, sir?

Senator SYMINGTON. To gauge the problem of our defense expenditures on the basis of our gross national product.

Mr. ANTHONY. No, sir. I think, as I said earlier, it is one way to look at it. I think a more important thing is the rapidity of buildup, that is the thing that creates more stresses on the economy. You brought in another factor which I think is also very important, the balance-of-payments problem, which, of course, is made more difficult by this situation.

Senator SYMINGTON. Well, it is a fact that we have financed world trade for 18 years by printing paper gold. I am not saying that is wrong and hope we arrive fairly soon at some agreement as to what the additional currency development should be.

At the same time we are financing this trade abroad not only of our own country, but all other developed countries, spend considerably more of our gross national product in percentage for defense than does any other developed country.

Do you know about that?

Mr. ANTHONY. Spend it for what?

Senator SYMINGTON. For military.

Mr. ANTHONY. We spend—

Senator SYMINGTON. More of a percentage of our gross national product for military than any other developed country in the world.

Mr. ANTHONY. No, we do not spend as much as the Soviet, by quite a lot.

Senator SYMINGTON. Well, I am glad to be corrected.

Mr. ANTHONY. I cannot give you exact figures. The job of trying to translate Soviet figures into what the actual facts are is extremely difficult. But it is my impression that any way you look at those figures the percentage of gross national product spent on defense is considerably higher in the Soviet Union than in the United States.

Senator SYMINGTON. My statement would still be correct, however, if I said the free world, is the correct?

Mr. ANTHONY. I cannot say for sure, but I think that is substantially correct.