

Senator PROXMIRE. There is not much danger of that.

Sir ROY HARROD. I would like to narrate, I think—I would like to introduce a note of levity, but I did happen to ring up London yesterday. I am very perplexed—I did not want to talk about the tax increase, but I am very perplexed—since I find all the economists saying that all the economic indicators are pointing upwards, and when I look at them, I find that they are not pointing upwards; but people say there are certain underlying factors making for expansion.

So I rang up London yesterday, and I asked why is it that the estimate was that this devaluation might cause an increase of output, both for exports and also for products competing with imports in the home market, of £500 million—whether this is an estimate or a target I do not quite know—and so we have had deflationary pressures simultaneously amounting to nearly £500 million. I said, “Why have you done this, because you know perfectly well that about £2,000 million would be the figure for unutilized British capacity. There is no shortage of capacity to enable us to have the £500 million extra on exports without inflationary pressures.”

They said, “Oh, well, we think there are certain *underlying* factors increasing demand.”

I said, “Am I in America or am I listening to England?”

There is something in the mentality of the official authority which makes them see “underlying” factors of increase even when there are not any.

Mr. BERNSTEIN. You see, it is the same underlying language in the United States and the United Kingdom, it is gobblydegook.

I was not trying to bring out the point that my friend, Sir Roy, has probably emphasized as much as any economist in the world, which is that a budget deficit of this magnitude has enormous expansionary effects, and that in an environment in which certain temporary restraining features have disappeared, its expansionary effects would be very disturbing to us.

I do not want to get to 90 percent, above 90 percent, of capacity utilized. I do not want to get down to 3.7 percent or less unemployment, not with all this overtime, too.

I would rather have demand grow—moderately and steadily so that our prices and costs behave more nearly in conformity with our balance-of-payments needs and the stability, the internal monetary stability, that we all want.

The tax increase was not needed this year; but I would love to have it for January 1, 1968.

Chairman REUSS. Welcome, Professor Triffin of Yale. We know the difficulties you had in getting down here this morning. We are tremendously grateful that you are here.

You will be able to be with us this afternoon?

Mr. TRIFFIN. Yes.

Chairman REUSS. Because I want to give you a full opportunity to be heard. Sir Roy, can you stay with us this afternoon?

Sir ROY HARROD. Yes.

Chairman REUSS. Now, Mr. Bernstein cannot.

Mr. BERNSTEIN. I cannot.

Chairman REUSS. I wonder if, with the agreement of all concerned, we could examine Mr. Bernstein on the remaining two points and that