You are very familiar, I know from your experience with the Kennedy round—and I followed a number of your writings with great interest in that field—you know that this is a very competitive world we live in insofar as trade is concerned and that the avoidance of excessive demand is a serious element, that the threat of excessive demand to our balance of payments would be a serious threat, and that it is very definitely related to our problem here today.

Mr. CURTIS. There we certainly are in full agreement, but the question before us right now, the tax increase, greatly effects the balance of payments. If your theories are correct when we talk of the tax increase itself, then you are right in my judgment in referring to balance of payments.

Likewise if my theories are correct the tax increase also effects the balance of payments and we would possibly be applying the wrong remedy. I would like to say one thing further on this international balance of payments. Our trade surplus (exports over imports) is our great asset in the international balance of payments but as I have tried to point out, exports depend upon private investment abroad and the administration by restricting private investment abroad is restricting the very area that needs expansion.

I won't pursue that subject further at this point.

Secretary FOWLER. No, because I think the figures on the very rapidly increasing scale of private investment abroad, even in recent years, would show that both in net outflow and in gross plant and equipment investment by American concerns abroad it has grown at a very sharply increased rate. As I recall it, the gross plant and equipment investment level has grown from around $2 billion a year in the early part of this decade to a level now approaching $10 billion a year, so there is no paucity of U.S. growth in investment abroad.

Mr. CURTIS. We are always talking in relative terms. I would say there is because the return on this investment abroad is the other plus in our international balance of payments and this is an excellent portfolio as well as being tied with our exports, so it has increased as has everything else.

As you all have observed, this society and economy of ours has continued to increase, so we are always dealing in bigger figures. We must seek the relationship between them. In this area, I think what we do or don't do becomes quite important.

Now, the fourth item of our concern on the economy is the employment figures and unemployment. I grant that 4 percent or 3.8 percent, 3 percent unemployed, looks good for a peacetime economy, but I have been pleading for a number of years to not mix apples with oranges. This is not a peacetime economy.

You have 600,000 additional young men who otherwise would be in the labor force in the armed services. You have at least double that amount in defense plants.

Incidentally, inasmuch as a good portion of those young men are abroad, this bears on the balance of payments, so I think you have to add probably at least 1 or 2 percent to our unemployment figures to relate these figures to a peacetime economy.

I think unemployment is an important factor, particularly structural unemployment, among certain groups, like the Negroes, where the rate is approximately 20 percent.