I consider the balance-of-payments problem and the gold deficit as one of the most serious problems that faces our Nation. Do you share that view?

Mr. ACKLEY. It certainly is a serious problem and I listed it as one of the four principal problems with which we must be concerned.

Senator TALMADGE. What are we doing to correct it?

Mr. ACKLEY. Senator, I believe we are doing a great deal to correct it. The Federal Government has a number of programs. I am not sure on first recital that I will list them all but there is certainly a large number of them.

First, with respect to the Government's own international transactions, very stringent measures have been taken to reduce the dollar drain associated both with our defense expenditures and with our foreign aid program. Our foreign aid programs have been tied almost entirely to procurement in the United States. The Defense Department has tried to procure domestically wherever possible. It has succeeded in getting agreement with other countries to offset some of the offshore costs of our Defense Establishment. Every Government agency which has international expenditures is scrutinized with great care by the Budget Bureau with respect to its spending abroad.

So every effort has been made, is being made, will continue to be made to reduce the dollar cost of the Government's foreign expenditures.

Indeed, the record of the Defense Department has been quite remarkable. In the light of the greatly expanded and high level of their operations abroad, the dollar drain has increased very moderately.

With respect to private investment expenditures abroad, as you know, there are programs, one administered by the Federal Reserve System, affecting banks and financial institutions, the other, administered by the Department of Commerce, affecting corporations, in which rather successful effort has been made to obtain the voluntary cooperation of businesses and banks to hold down the dollar impact of their investment expenditures abroad.

One of the principal results has been a very large rise in foreign financing of American investment abroad. The volume of American security issues in Europe to finance investment expenditures there has risen dramatically.

With respect to travel, we have not felt it appropriate to interfere with the freedom of Americans to travel abroad but a strong effort has been made and strong and new initiatives have been suggested with respect to encouraging foreign travel in the United States.

I failed to refer, in connection with American private investment, to the interest equalization tax. The President now proposes to make it a more flexible instrument to counter any new surge of foreign borrowing in our markets.

I think it would be fair to say that every aspect of the balance of payments is under continual scrutiny by the Federal Government, by every agency of the Government. Every effort is being made to limit foreign expenditures, and to maximize foreign receipts. Indeed, despite the very large costs of the Vietnam hostilities, I think the record has been really a remarkable one in maintaining as small a deficit as has been achieved.