

Mr. ACKLEY. As the Secretary of the Treasury has declared several times, it would be possible for the United States to end its deficit at any time. The measures which we might take to do that, however, have to be considered in terms of their impact on our own economy, and on the economy of the world. We believe we have responsibilities to our own people, and responsibilities to the economy of the whole world which limit the kinds of actions that are appropriate for us to take. The kinds of measures that we could take to end our balance-of-payments deficits, for example, to deflate our domestic economy, have a recession, might end our balance-of-payments deficit, but at a cost we are not prepared to pay.

We could drastically restrict our imports. In short run, at least, this would perhaps—

Senator TALMADGE. Will you yield for a question at that point? That is another problem that seriously concerns me. As I understand it, our imports last year increased something in excess of 14 percent, while our exports increased only 4 percent, is that about correct?

Mr. ACKLEY. No. I think the figures are both somewhat higher. Our imports increased about 20 percent, our exports 10 percent.

Senator TALMADGE. The gap is getting worse instead of better, is it not?

Mr. ACKLEY. For the past 2 years our balance on trade has deteriorated, starting from a very high level. The fourth quarter of last year was the first time in several years in which our balance of trade improved. We expect that improvement to continue in 1967.

The surge of imports that we had last year is largely explained by the state of our economy last year, by the overrapid expansion of our gross national product, by the pressures on productive capacity in a large number of industries.

You may recall, in connection with the discussion of the suspension of the investment credit, that it was pointed out that the great pressure on American industries producing capital goods was drawing in a large volume of the imports of capital goods—not because foreign capital goods were better or cheaper but simply because the order backlogs of our own makers of machinery had gotten so long that domestic purchasers sought supplies abroad. We do not expect that kind of condition this year.

The action that was taken to suspend the investment credit, and the much more moderate pace in the advance of the economy that we expect, both suggest that the rise of imports this year should be substantially smaller than the rise last year.

Senator TALMADGE. I am informed that my 10 minutes have expired. I had hoped to ask you about our troop commitments in Europe because I think it is high time we reconsidered and reappraised that.

Also I desperately feel that reduction in interest rates is going to worsen our balance-of-payments record because I look for some of the so-called “hot money” to go for high interest rates. So I would hope you would look carefully into those problems and comment in the course of this inquiry on that.

Thank you very much.

Chairman PROXMIRE. Mr. Widnall?

Representative WIDNALL. Thank you, Mr. Chairman. Following up Senator Talmadge's question, I would like to ask this one. Last