This leads me into the second thought. When you are talking about your projections on your balance-of-payments problem this year, you expect a lessening of the increase in imports and you express some hope at least that there will be a lowering of interest rates internationally, so vis-a-vis our international competition we are in a somewhat better position.

If we abandoned the guideposts I do not know that anybody has projected a reduction in raw material costs. If your wage costs considerably exceed productivity as you apparently predict and expect, is it not pretty obvious that we are going to have either a pretty severe reduction in profits or an increase in prices and thereby a weakening of our competitive position internationally, and do you not think that there is a very great prospect that given the fact that wages will exceed both productivity increases, that perhaps taxes will go up and perhaps raw materials will at least be maintained at the present level, that we will be in a less competitive position and our balance of payments could get even worse?

Mr. ACKLEY. I would certainly not think so, Mr. Brock. Our record on price stability has been so much better than that of any of our principal industrial competitors and I think it promises to be better in the future as well.

We regret the price increase we have had. We wish it had not occurred. We wish it could have been avoided. But even so, our record on unit labor costs, on prices, has been substantially better than that of the average of our leading industrial competitors and better than almost any one of them in almost every year. And we expect continuing improvement in our competitive position next year.

No nation has succeeded completely in achieving the goal that we all seek which is a continuous level of prosperity and high employment and complete price stability. Up to now our record has been as good or better than that of any other nation. We certainly think that it is essential that we continue to pursue the objecive of doing a better job than any other country in this respect, for balance-of-payments reasons, if no other. Apart from balance-of-payments reasons we all would prefer a high level prosperous economy with absolute price stability, and I think all our policies ought to be directed toward seeking that dual objective.

Representative BROCK. I think so, too, but I question whether you are not being overly optimistic. I think someone mentioned earlier the prospect that a reduction in our level of interest rates, which does seem to be at least hopefully in prospect, could cause an outflow of currency. We have had a number of factors on our side in the past year that I am not sure that I see operating in our behalf in the coming 12 to 18 months as far as the balance of payments is concerned and I really wonder whether we are giving sufficient concern and thought to this balance-of-payments problem, to the effect that the abandonment of guideposts and the deliberate effort to reduce interest rates may not create another monster of a different type than what we have had in the past 12 months, but one which is equally difficult to handle.

Mr. ACKLEY. Certainly we have to be concerned about our balance-of-payments problem, and I think that we are all extremely concerned about it. As Mr. Okun suggested earlier, a number of steps have been taken that propose to strengthen our arsenal of balance-of-payments weapons.