

Representative BROCK. I am very grateful for your concern. I know that you share it. As far as I am concerned, the only basis on which I can analyze the situation is to look at the reduction in exports as opposed to the increase in imports, not reduction in real terms but in relative terms.

Secretary FOWLER. We haven't had a reduction in exports. Our exports have really done extremely well.

Representative BROCK. I am aware of that.

Secretary FOWLER. 11 percent last year.

Representative BROCK. I am talking about the closing of the gap.

Secretary FOWLER. Well, the surplus of exports over imports has declined because of an extraordinary trajectory of imports, and I think that was due to some of the unusual demands on the economy that are directly or indirectly a consequence of the war in Vietnam.

I keep coming back to this. It is an element in the picture of our deficits and surpluses. It is an element, a dislocative factor in dealing with prices. It is an element that affects our foreign trade balance.

All of these are prices that we pay for doing what we think is right and proper and necessary in terms of overall national security. But the surprising thing to me, during this whole period, is that we have been able to traverse this particular shoal without reimposing the direct controls that tend to leave a permanent distortion on the economic scene, and that by some combination of luck or management or whatever, we have been able to traverse these waters, using these rather feeble but useful monetary and fiscal tools.

Chairman PROXMIRE. Senator Percy?

Senator PERCY. Mr. Secretary, nice to see you, sir. We opened up on sort of a partisan note.

Secretary FOWLER. I didn't open up on that note, Senator Percy. The hearings opened up on that note.

Senator PERCY. I understand my responsibility on this committee is absolutely as nonpartisan as we can make it. My attitude will be that, and I can assure you I intend that statement as a partisan statement.

On the other hand, I do think we have a responsibility to present a point of view as effectively as we can whenever we feel that the point should be brought out.

Chairman PROXMIRE. If the Senator will yield just a minute, I might say I try hard to make it nonpartisan and get some criticism from my own party the way I do it.

Secretary FOWLER. I think it has been very, very bipartisan. I think both Democrats and Republicans have enjoyed putting us on the griddle up here. It is a healthy exercise.

Senator PERCY. With that preamble, my three questions are short and I think fairly straightforward. In the President's budget message, there is a section in which Mr. Johnston said:

"To permit a higher deficit than the \$2.1 billion predicated in the national income accounts budget would be to renew inflationary pressures, and that a lower deficit would be unwarranted and self-defeating and could depress the economic activity."

We have a Subcommittee on Economy in Government of the Joint Economic Committee. However, the President makes it look like