

this country. Having just returned from Europe, I know having him in this job is one of the most stabilizing influences we have in the confidence of people abroad, the bankers and the soundness of the dollar, and I certainly hope and pray that he shall be given encouragement to stay on in this job and that April 1 he will be reappointed.

I would like to ask your help on three questions—the balance of payments, tax credit for human investment, and possibly a comment from you on the role of housing rehabilitation in strengthening the economy in the future.

On the balance of payments, this morning's New York Times indicates that the 1966 deficit was about \$87 million greater in 1966 than in 1965.

Mr. HELLER. That is on the liquidity basis.

Senator PERCY. Yes.

Mr. HELLER. On the so-called official settlements basis, which most of the rest of the world uses, there was a very sharp improvement of course. We actually had a surplus.

Senator PERCY. But in actual payment deficit it was \$1,424 million against \$1,337 million. I wondered if you could give us your feeling as to what the outlook will be for this year, and whether you consider this a serious problem to which the committee should be devoting itself.

Mr. HELLER. Senator, if the business of economic forecasting, the GNP is tough, the business of forecasting the balance of payments is far tougher, because that after all bears the marginal impact of a great many forces in the economy.

Having made that disclaimer, I will go ahead and forecast it. My feeling is that, in spite of the very heavy draft on our balance of payments of Vietnam, and in spite of some increased outflow on the financial side as we lower interest rates, we are not likely to have much more of a deficit this year than we had last year on the liquidity basis, the one that you are now using.

Having had a surplus on the official settlements basis last year, I hope that we don't this year suddenly shift to the official settlements if we do somewhat less well on that basis than we did last year.

What I mean is that the amount of holdings in official hands overseas of dollar is likely to rise, and that of course means a deficit in the official settlement basis.

But I think it is much more important to talk about the forces that will be working on the balance of payments than it is about a particular number.

We will have crosscurrents. Financial and capital movements will probably work somewhat against us while the trade elements should be moving for us. Because of the degree of inflation last year, particularly because of the overheating of the plant and equipment and machinery area—we often bought machinery and equipment overseas even though it was inferior to ours just because we could get delivery—and because of inventory building, we had an unusual sucking in of imports. It went up some 20 percent in 1 year.

Now I think we are going to have a considerable relaxation of pressure on imports this year. With the continued growth of exports, especially as our prices gain in competitive advantage over the rest of the world, I rather think that our trade surplus is going to improve this year.