

I would hope that the idea gold isn't really important now being developed is not because we are losing all our gold, because if that happened to be wrong we would be in for very serious troubles indeed. As you say, it is becoming more importance to get into a new currency position of some kind either through the International Monetary Fund or some other way. I would hope that we have a little gold left when we sit down to trade it out with those people you referred to the Committee of Ten.

Going ahead with some of the questions the chairman asked, and Congressman Reuss, in your book you note also that the "unexpectedly strong surge of real GNP in 1966 underscores again that this country, with its prodigious productive capacity, faces no runaway inflation, no breakaway price-wage spiral."

President Johnson in his current Economic Report emphasizes the importance of price stability and states that—

Last year the record was blemished

That is his word—

with a 2.9 per cent rise in consumer prices, and a 3.2 per cent rise in wholesale prices from the previous year.

In that connection, what percentage price rise would you say our economy could absorb, without causing undue inflationary pressure and at the same time maintain stability?

Mr. HELLER. First of all, by the way—the President's figure of 2.9 was year over year. When you take December to December, the figure was somewhat worse, almost 3.4 percent inflation. That is certainly more than we can or should stand still for, so to speak, if we want to maintain our strength and leadership in the world's economy.

I do feel that something in the order of half to three-quarters of a percent increase in the price level per year is really not much more than the increase in the average quality of goods and services that can't be discounted, so to speak, in the price index or at least that isn't, given our present resources. That represents essential stability.

Now a second criterion is to have a slower price rise than the rest of the world, and on this, of course, we have done just splendidly, whether you take the last 10 years, the last 7 or the last 5, even the last 3. With the exception of Canada, you find almost no industrial country in the world that matches our record of price stability, and that has to be one of our criteria.

Part of the criterion is domestic, what do you do to the people on fixed incomes and so forth, by price inflation. But the other is what do you do to your international competitive situation, and except for 1966, and the later half of 1965, that competitive position has been improving in spite of some price creep in this country, because we have had so much better a record than the rest of the world.

Senator SYMINGTON. Thank you. Back to the question of balance of payments, I note this morning a headline in the Wall Street Journal which says "U.S. Balance-of-Payments Deficit Deepening in the 1966 Period. War Appears as a Factor."

There is an excellent book out by Henry Brandon which points out how we worked with the British on the pound problems. It is hard for me to see why this continuing unfavorable balance of payments could be such a serious problem to other countries not tied up so