

tightly with us as we are with the pound as a result of the Bretton Woods Agreement.

Many people say that, after all, we do not have to worry because our gross national product is so high. But on that Dr. Stevens has a quote which interests me. It reads:

Whatever may have happened to the world dollar shortage, it is a fact of life that economic, political and military attitudes once well established certainly do tend to persist. Today when our economy still remains unrivaled in the world, if the popular premise that economic strength always confers financial strength were sound, people might still think it natural for the United States to be running an international payment surplus, provided various frictions and temporary obstacles to its achievement could be removed. But the simple argument, the basic economic strength and continuous financial strength is not valid, and there is no natural payments balance. A country's balance of payments at any one time depends on many things, only one of which is the productive power of that country's economy.

Every time now a representative of any agency comes up, Defense, AID, any other program, and you question the additional expenditures, the answer invariably is, "Oh, we don't have to worry about that because it all is a lesser percentage of the gross national product than before."

I suggested to one witness, "Why don't you fix it this way next year?" If the cost of the Vietnamese war increases materially, by your fomenting a few strikes, paying the workers what they ask for, putting in the additional cost in the price of the merchandise and the tickets. Then the GNP will be even higher, so you will be able to justify your additional fiscal and monetary moves or lack of moves, and additional spending, again on the basis of the percentage the new figures are of the gross national product.

We say it is a serious problem. But when we fail to lick it, we say, well, after all, it doesn't amount to a great deal. This worries me and that is why I am interested to be here and have the advantage of your thinking.

I understand you have been quite complimentary of British action and what they are trying to do. Would you agree with the rigorous measures that are being applied in Great Britain, both fiscal and monetary, to correct the serious imbalance in their international accounts; and if so, as a corollary course, is it something we should consider here because it is important there?

Mr. HELLER. Well, to take these things in order, first of all, let me say I do feel that the administration has taken a long list of measures, and I believe Chairman Ackley reviewed those with you, that have been designed to minimize and bring down this balance-of-payments deficit.

After all, the performance isn't bad. It is not as good as we would like, but the performance isn't bad, when you consider we were running about a \$4 billion deficit at the end of the 1950's in a peacetime situation, and with the economy operating at a much lower percentage of capacity, and so forth, and it has been brought down to this \$1 to \$2 billion range in the liquidity basis, and really a very good performance of a surplus on the official settlements basis last year.

Secondly, I agree entirely with Mr. Stevens that you can't use the money GNP willy-nilly as a criterion for how large the balance-of-payments deficit should be or how much you should be concerned about it.