Mr. BURNS. I feel it is an objective of the very highest importance, not only for economic reasons, but also for international political reasons. Our political prestige might suffer and the world at large might suffer irreparable damage, if we were ever forced to devalue the dollar.

Our strongest defense of the balance of payments lies in pursuing a financial policy that will tend to keep the internal purchasing power of the dollar stable.

There are also other things that we ought to do. I think that at a time when we are so hard pressed in Vietnam, we should finally face up to the question whether we need to maintain a large army in Europe. There is great doubt about that in political circles.

We cannot continue involving ourselves with everything over the world. We have to make choices. I am inclined to think that we have delayed too long in handling the problem or our military forces in Europe. We can also save some money in our foreign aid program, and that will help our balance of payments a little. But the main defense of the dollar will have to come from the pursuit of an overall monetary and fiscal policy designed to keep the price level reasonably stable.

Fortunately, from our viewpoint, we are not the only culprits. Inflation has become a worldwide habit, and that has helped us to limp along with our balance-of-payments disequilibrium.

It may help us in the future. And the chances are that it will. But I do not think that we can prudently make the assumption that other countries will solve the balance-of-payments problem for us by practicing inflation in their own nations.

Senator PERCY. Dr. Burns, we talked with Dr. Heller this morning a little about the investment tax credit. It is my feeling that the investment tax credit was aimed at several objectives.

First, to increase the productivity of the worker and to increase his wages.

Second, to help industry to reduce costs, lower selling prices, and broaden the market for its product.

Third, improve our product with respect to world markets, so that we can increase our share of world trade, and thereby improve our balance of payments to offset some of the military and foreign aid expenditures.

Do you feel that the investment tax credit should become a permanent part of our tax structure, or do you prefer to see it something like a spigot that is turned on and off as you wish to accelerate or depress the economy?

Mr. BURNS. I am inclined to think that the investment tax credit carries with it the possibility of helping to stabilize the economy. Therefore, I should like to experiment with that piece of legislation for a time, permitting the investment tax credit to fluctuate, depending on economic conditions.

Now, I am not sure of the outcome, but I think that something may be gained in the difficult art of managing prosperity, if we carry out this experiment over the next few years. In the end, we may want to abandon it, but it is too soon to abandon the flexible aspect of the investment tax credit.

Senator PERCY. Dr. Burns, investors are always talking about, and looking for, new glamour industries, growth industries. I saw one