It is my personal view that monetary policy is not an appropriate means for bringing about balance in payments with foreign countries. It would be wonderful if it was, but it isn't. It used to be under the gold standard that when gold moved out of the country then we were supposed to tighten up and allow unemployment to develop and allow production to decline, reduce prices and this would tend to decrease our imports, encourage our exports, and lo and behold, we got a balance!

It didn't work that neatly even under the gold standard, and we now have, as I suggested in my testimony, a much more narrow range for tolerance. We will not put up and we should not put up with widespread unemployment brought about either by the balance of payments or otherwise.

This year the best guess is given a somewhat slack trend in the economy plus a need for a more expansive monetary policy, that we should have some decline in interest rates. That would be the guess at the moment. And this will tend, if you look at balance of payments, to hurt us on capital accounts.

The ultimate solution in my opinion is one that I really have little hope that it will ever be adopted, but I think it's the only way we can ultimately get an equilibrating mechanism, and that is eventually to permit some exchange fluctuation between currencies. We insist on pegging the price of dollars relative to other currencies, and every time we insist on pegging any price, we end up with either surpluses or deficits. In the short run we are probably going to have to resort to some more intervention type moves—doubling the equalization tax, putting additional controls on banks and businesses—and I certainly am not very happy about the prospect.

Senator PERCY. Mr. Goldfinger, I was very pleased I found so many areas of agreement with you, on guidelines, on wages and prices, and the necessity of building up a bank of work that can be pushed up if the economy needs it and have it available on State, local and Federal levels.

I was a little disturbed, however, at the correlation you drew between an increase in profits and the necessity of an increase in wages. I am all for wages going up to offset price increases and to have a share of the increasing productivity. But I think as a corollary of the proposal to relate wages to profit increases you have to consider whether or not when profits drop down, that would mean that wages should go up at the same time.

I wonder whether profit sharing isn't the proper way to take into account an increased ratio between profit increases and wages, which also would go down as profits go down. I don't want to get into it now because this is an area Mrs. Griffiths is going to study in hearings later, and I think very importantly so. But I was pleased with how much I did agree with what you had to say.

Mr. GOLDFINGER. Thank you, Senator.

Chairman PROXMIRE. Mrs. Griffiths?

Representative GRIFFITHS. Thank you very much, Mr. Chairman.

I would like to congratulate you on the quality of economists that you have brought before us this week. It has been a very interesting hearing.

I would like to say to the economists, too, that since all of them have almost unanimously agreed that we shouldn't have a tax increase,