

sort of tidying up which is more comfortable perhaps, but which I think fails to reckon with serious world problems.

I would rather hope we went the other way and kept on trying to build a non-discriminatory world, letting go on the reciprocity if we had to. There are lots of tariffs in this country we ought to lower for ourselves and not for the Kennedy Round, not for some concession we get over in Europe, not for outlets for wheat.

I want, for example, lower prices in certain commodities. I think we should prevent price rises in steel. Five years ago, the President should have said:

"I don't care what you do in steel, but you are never going to get an increase in tariffs for this. Whatever you do, make up any deal on wages and prices you want, but we are going to maintain competition from abroad.

I would rather let reciprocity go, if it has to go, and cling to non-discrimination. Obviously in the long run we have got to live with all the countries of the world, not just with some. That is a pretty histrionic reply. I am sorry.

Representative REUSS. Thank you. My time is up.

Chairman PROXMIRE. Senator Jordan?

Senator JORDAN. Thank you, Mr. Chairman.

Mr. Roosa, you apparently are concerned because you raise the question that our foreign trade position on payments deteriorated in 1966.

I detected concern in your statement when the question was raised. On the other hand, Professor Kindleberger, while he agreed there is evidence of deterioration due to a rise in imports and increase in our expenditures in Vietnam, and then he goes on to point out that the loans of \$2 and \$3 billion have to be paid, and the repatriated funds owned by the U.S. bank will be replaced abroad.

Mr. Kindleberger goes on to say at another point in his statement that, "Severe as was the banking squeeze last summer, the \$2 to \$3 billion which American banks borrowed in the Euro-dollar market prevented a real crisis and even a collapse."

Yet I can't understand your lack of concern, Professor Kindleberger, in recognizing the near collapse, as you have stated it here, and the fact that balance of payments is pretty much a matter of confidence in the dollar. I wish you would elaborate on that a little bit, please.

Mr. KINDLEBERGER. What I was really talking about was the pressure that the Federal Reserve System put on the domestic money market by squeezing down negative reserves to the point where they, I think, hit \$450 million last August.

Now, there was, as is well known, very severe pressure in the mortgage market, in the savings and loan associations in California and elsewhere. The Congress took cognizance of this, and tried to provide money for FNMA, and so on. But that crisis was not really limited.

In August we looked the possible collapse of the savings and loan associations squarely in the face, and took steps. What I am saying is that if it hadn't been for the \$2 or \$3 billion which U.S. banks brought home or borrowed from London, there might really have been more trouble elsewhere. It is very hard to predict what would