

the basis of a project and they will take what they call a hard banking attitude. They look at the project rather than what J. P. Morgan used to look at, I take it, which was character. They are interested in what the country is doing in terms of projects. I would say such a country, it is highly desirable for it to build character and reputation and credit standing. I did make reference at one point to countries needing credit standing and when they get credit standing then they can turn to the international capital market to borrow in, and we can stop giving foreign aid or intergovernmental loans.

Senator SYMINGTON. I would make this comment: We have been told for many years that it is important we balance our payments, but the less we seem to be able to do to that end the less important it would appear to become to a lot of people. That worries me.

Now, on page 5, you talk about confidence in the dollar, improving in 1966. We have been told by other foreign countries that if we don't balance our payments pretty soon, they are going to start unloading dollars just as the French did. At the bottom of page 5 you say, "The war in Vietnam and poverty in the United States are of far more important issues today, than the balance of payments."

If by any chance we misfire in our calculations about what is or is not important in respect to the integrity of the dollar, and you run into real inflation which then curtails much more sharply that value you would be creating a type and character of poverty we have not known in this country for some 35 years, would you not?

Mr. KINDLEBERGER. Well, sir, I am not at all sure I follow the reasoning behind what you said.

Senator SYMINGTON. We have, as I understand it, over \$30 billion now owed abroad, controlled primarily by the foreign central banks. If they begin to sell those dollars for any reason you may think is logical or illogical to the point where you run into lack of confidence in the dollar then the fact the dollar itself would be considerably less valuable than before would in itself be a serious matter, would it not and would further emphasize the balance of payments problem?

Mr. KINDLEBERGER. No; I don't think I agree at all, sir.

Senator SYMINGTON. You don't agree?

Mr. KINDLEBERGER. No; I don't think so.

Senator SYMINGTON. I have a friend a prominent newspaperman who says he has just received a paid-up life insurance policy, and he said to me the other day "My insurance policy is worth so little as compared to what I thought it was going to be worth, I wish I had never taken it in the beginning." What would be your comment on that?

Mr. KINDLEBERGER. My comment on that would be that it is better than any insurance policy anywhere in the world. I am not happy about the price increases in the United States in the last year at all. This is why I was, say, for a tax increase last spring. But nonetheless our prices are rising 3 percent a year whereas they are 4 to 5 percent in France. If you think the French franc is any bargain as compared with the dollar I think you are mistaken in terms of real purchasing power.

Senator SYMINGTON. Is it quite fair to compare everything to the franc?

Mr. KINDLEBERGER. Take Britain, Germany.

Senator SYMINGTON. There are other people besides the French.