

around and say the deficits of America are therefore not lost but loaned?

Mr. KINDLEBERGER. Yes, sir. That is in fact my point, that the United States, in acting as a banker, in lending long and borrowing short, does not have a real deficit. The Department of Commerce definition seems to me to be appropriate only to, and here I would agree with Senator Symington, a very inadequate firm which does not have much credit and does not get much trust.

Representative MOORHEAD. Professor, the thing that has always concerned me, that a bank or a firm usually keeps two sets of accounting figures, an income sheet and a balance sheet. Now would I be correct to say that over the past few years if we, the United States, kept our books the way a business does, that we have been making money, we have been earning on our income sheet, but the concern would be that our balance sheet, and this can be disputed, at least this is the question we should be asking ourselves, whether our balance sheet is distorted because all of our assets are long term, long payout, whereas our liabilities are in the short field. Is that it?

Mr. KINDLEBERGER. Yes, exactly. In terms of, say, our balance sheet, we have been increasing our net worth each year. Our net worth has been going up in terms of added assets, claims on the rest of the world, productive assets, and we have lent abroad not only some of our substance, but also we have borrowed abroad at short term in order to lend at long term, therefore paying either little or no rates of interest, and getting, earning assets. So we have gained as far as that is concerned on the balance sheet.

As far as the income statement is concerned, you could say that we are still all right there, because we have a current account surplus. We are solvent. There is no question about solvency, long-run solvency. It is a question about short-run liquidity. We present our balance of payments as if tomorrow all our creditors were going to present their demands on us immediately.

Representative MOORHEAD. So is it your judgment that our balance sheet, although that is where the dispute would be, is sound, and I would take it, Mr. Roosa, that this is where essentially you would disagree with Professor Kindleberger, is that correct?

Mr. ROOSA. Not quite. The position that I take is this. First of all, I think he is wrong in saying that our balance-of-payments accounting always proceeds on the assumption that all demands are immediately exercisable. On the contrary, the position from a balance sheet point of view is simply to ask whether the total of our demand liabilities as they are increasing are so distributed and so held that we as a banker or a firm have a reasonable likelihood of expecting they will stay there, or whether there is an increasing chance that the short liabilities we owe are going to be exercised, in which event we have to have something short and useable with which to make payment. And so the main point that I am stressing is that we have, in a sense, as if we were General Motors, invested year after year in long-term investment, plant, and equipment of a heavy kind, and we have done it against 90-day paper, and for a variety of reasons.

If there is some disturbance among our creditors, and they need the funds, quite apart from the question of simple confidence in us, there