heavy inventory, if there is any kind of change, either in his requirements or in the whole Vietnam commitment. As a result, the economy is peppered with last minute priority orders which cause a set-aside of civilian production, and the building up of excess inventory which has to be carried and financed, while the priority military purchases are passed through. There are dozens of such cases around the country, and much has been done to try to offset them. I am not being critical of them. I am just noting the effect.

It may be that this is an area where there is more that can be done to so use the real impact of Government spending programs to minimize the potential disturbances to the economy as a whole. If so, I hope it can be studied and done. At any rate, this accounts for goodness knows how much. In the nature of the inventory buildup, we see so little of it as finished goods and so much of it as raw materials and goods in process, that the presumption I think holds that a considerable part is explained by this and by the sui generis case of the automobile industry.

Representative BROCK. I think what I am concerned about is instead of the improper mix or balance of monetary and fiscal policy, but last year when we had the demand-pull inflation we used almost exclusively monetary policy in this period of imbalance in the credit sensitive areas of the economy. We got this sponge type of effect where your defense industry is going up, your housing industry is going down.

This year when we are shifting into a cost-push type of inflation, you come in with a tax increase, and I don't see how a tax increase is the proper fiscal tool to stop cost-push inflation. I just don't see the applicability in the current situation. I am concerned about the mix of monetary and fiscal policy.

Mr. ROOSA. Just as one final comment, the point I stress is that the cost-push is there. It's important. And in the absence of an effective incomes policy, the imposition of the guideposts in some effective way at this stage is unfortunately, if not paralyzed, at least impaired. That is no excuse I think for creating an environment in which there is an opportunity for the initial impulse of the cost-push to be amplified through the economy by an excess of total spending, total spending in which a considerable part of the potential excess arises from defense spending by the Government.

Representative BROCK. Thank you very much.

Mr. Chairman, I would like to submit for the record three questions to each of these gentlemen if they would respond for the record, so it won't take too much of their time.

Representative REUSS. Without objection, that may be done.

(The questions above referred to follow:)

1. Former Assistant Secretary of the Treasury Trued has suggested that the United States consider forming a "dollar bloc." Member countries would agree to follow certain rules with regard to their dollar holdings and, in return, would receive certain rights in the U.S. capital market not available to nonmembers. How do you regard this suggestion?

2. Negotiations for international monetary reform are going forward. However, do you believe adequate attention is being given