

I notice with some interest that Mr. Colm and Mr. Lekachman gave relatively little, if any, attention to the problem of the balance of payments, whereas Professor Wallich, I think, stressed this very heavily. Was this because you wanted to address yourself strictly to domestic economic problems, or do I infer that the two of you considered the balance-of-payments problem considerably less serious than does Mr. Wallich?

Mr. LEKACHMAN. I consider them quite serious, Mr. Moorhead, but at the same time I suppose my difference with Mr. Wallich is primarily this, that I want to minimize the effect that our balance-of-payments situation has upon other policies, particularly domestic social programs, and being of this mind, I would be far more inclined to concentrate on doing something directly upon balance-of-payments situations in the way of specific controls, or enlarge present controls rather than to allow present domestic policy to be seriously affected. But I don't think that I differ with Mr. Wallich with the seriousness of the problem. It is undoubtedly a great problem.

Representative MOORHEAD. Mr. Colm?

Mr. COLM. I pretty much agree with what my colleague, Mr. Lekachman, has been saying. The reason why I didn't elaborate on that was in part because I knew Mr. Wallich would be on the panel. He has given it more thought. It happens not to be my field of specialization.

I agree that it's a serious problem. I am more concerned with the long-range problem, with the competitiveness of the American economy. Productivity is the basis for our high wage level relative to other countries. We have the long-term tendency that productivity travels much faster from country to country than in the past; for example, in Japan you find steelworks which are as modern as the most advanced American steelworks. We are only surprised by the statistics. They still employ about three times as many workers relative to output, and this is probably because of the relatively low wage level. But I think there are serious problems.

I also agree with Mr. Lekachman that for a short term we may use more specific devices. I express perhaps more of an emotional feeling, but I think I could rationalize it. It doesn't make sense to me that we should have mass unemployment in order to solve our balance-of-payments problem. That would be a sort of admission of inability to deal with the problem, and I cannot believe that the only solution consists in depressing our economy, thereby depressing imports and giving allegedly an incentive to exports.

I cannot agree with that philosophy, though I cannot elaborate on the technical consequences of that statement.

Certainly as I have stated in my prepared testimony, the balance-of-payments considerations are a restraining factor on credit relaxation, but I think particularly for housing that does not apply. In part as an answer to the previous question by the Chairman, I think more money is being made available for housing even though the interest rate is still very sticky. Making money available for housing at lower interest should be possible without any drastic effect on the balance of payments.

Representative MOORHEAD. Thank you.

Thank you, Mr. Chairman.