It is no mere coincidence that, after the recovery of Europe and Japan from the effects of World War II, the United States developed a chronic deficit in its international transactions. With a few exceptions, substantial deficits in the Federal budget have been the rule throughout this period.

This same effect of continuous deficit spending has been the invariable result in all nations at all times. Thus, logic and the observations of historians coincide. How egotistical we are to believe that the forces which have inhibited the actions of all other nations in all other times do not apply to us. The cost of deficit spending is the erosion of our financial reserves, leading to the eventual devaluation of our currency.

PROBABILITY OF CRISES

The administration's program will fail because of the probability of crises: Unforeseeable crises of one sort or another are almost certain to occur in the months ahead. They will add additional demands on our financial reserves for which the Administration has clearly not provided. It is ridiculous to "wish for the best" on this subject. A nation's finances and economy must always be ready to absorb the blows which will periodically afflict it. The list of logical possibilities include crises of currency devaluations and credit evaporation in foreign nations and the performance of the European economy. Europe may well stage an- further calls on our military resources.

UNCERTAINTY OF ANY SUBSTANTIAL INCREASE IN OUR EXPORT-IMPORT SURPLUS

The administration's program will fail because of the uncertainty of any substantial increase in our export-import surplus:

Any growth of our exports is unlikely to be sufficient to substantially diminish our international deficits. The United States already has the lion's share of the world's export market. Future growth depends upon other of its remarkable booms. But it is the height of folly to make this wish the basis for our financial planning. High interest rates, the weakness of the English pound, and our own efforts to limit the flow of capital to Europe will all be tough hurdles for the European economy to surmount.

Furthermore, the extensive growth of our gross national product predicted for 1968, the increasing private and wartime demands on our economic capacity, and strikes in various industries, all indicate that the United States will have to run quite fast just to stay even with the growth of its imports.

COUNTERPRODUCTIVE NATURE OF THE INVESTMENT CURBS

The administration's program will fail because of the counterproductive nature of the investment curbs:

The program to curb international investment flows will prove to be counterproductive. Any actual inhibition of investment abroad will reduce future earnings and make it that much more difficult for future administrations to deal with their payments problems. The substantial investments presently being financed through European financial markets has increased demand in those markets and is pushing interest