

valuable goods and services in return for nothing but paper. No monetary scheme that is likely to be adopted will permit continuous and substantial payments for deficits.

THE NEED FOR REALISTIC PLANS

Our Government must make realistic plans for dealing with the after effects of the devaluation of the dollar. This crisis will probably mature some time during the next Presidential administration. For those who doubt, the planning effort can be considered an academic exercise in "contingency" planning.

Should we leave the dollar afloat in international markets to freely find its own level or shall we try to peg it again at some other price? If the latter; at which price? What will be the effect on international commerce? Will there be a trade war as nations and investors compete for the diminishing supplies of hard financial values? What should be our diplomatic response to these problems? How will we meet the internal social responsibilities and political challenges? How will we meet our external cold war commitments?

We must make effective plans for spurring recovery on a sound financial basis. The crisis will initiate fundamental economic adjustments which will provide the economic basis for recovery. But the speed, extent, and strength of that recovery are substantially dependent on the wisdom or stupidity of Government policies.

Above all, we must remember that economics is now, as always, the art of allocating scarce resources. Practical planning cannot proceed on the myth that we possess limitless resources. It requires conscientious attention to priorities for the utilization of our limited physical and financial resources.

CONCLUSION

My conclusion, Mr. Chairman, involves the total responsibility of government for the purchasing power of its currency.

It should be noted that all of my recommendations are for reform of past Government policies and realistic planning of future Government actions. We cannot blame our difficulties on President de Gaulle, or the Gnomes of Zurich, or on Wall Street; tempting though these favorite scapegoats may be.

It cannot be emphasized too strongly that governments are responsible for the purchasing power of their own currency. When confidence in a currency evaporates it must be due to the actions of the issuing government. Restrictions on private commerce must always be ineffective and counterproductive. Only elimination of the Government policies which cause the deficit in our international payments and realistic planning of future Government policy can restore financial strength.

Mr. WATTS. Thank you very much for a very fine statement. Is Mr. Timothy J. Murphy here? Has he arrived?

I suppose not. Well, he may file his statement and the committee stands adjourned until 10 o'clock in the morning.

(Whereupon, at 3:35 p.m., the committee recessed to reconvene at 10 a.m., Wednesday, February 21, 1968.)