For one thing, a great many countries need more dollar reserves. For a second thing, if foreign business firms and foreign capitalists elect to acquire and hold dollar assets in the form of deposits in U.S. banks or in U.S. Treasury securities—increases which show up as "deficits on the liquidity basis"—there is no more reason to deny them that opportunity than to ban an increase in the U.S. domestic money supply, savings and time deposits, and holdings of Government securities. Thirdly, an increase in dollars held by foreigners is the best means the world now has for handling such situations as the periodic storms which blow up over one currency or another such as the pound sterling, the Canadian dollar, the Italian lira, etc., to name a few example of recent years.

It is true, on the other hand, that the U.S. should most certainly put an end to utter and huge wastes—domestic and international—like the 8-month copper industry shut-down. It should also be less bountiful in supplying defense for other countries for which they mostly fail to offset even the U.S. foreign exchange costs of our doing so, and for which the direct dollar costs and all the indirect foreign exchange and dollar costs are not even mentioned and perhaps not even recognized to exist.

To set forth and reply to all the opinions which disagree with the above five assertions of misapprehensions would make this statement too long to read and impossible to complete before the deadline.

MORE SPECIFIC FEATURES OF A BETTER BALANCE-OF-PAYMENTS PROGRAM

A program to overcome the weaknesses of the present balance of payments proposals includes the following features:

A. The United States should plan to retain most of its remaining gold reserve.

B. Instead of applying harsh travel expenditures restrictions to every country outside the Western Hemisphere, it should ask each country in the Eastern Hemisphere whether it wishes American tourist expenditures in their area to be limited or reduced, on the basis that continuation of American tourist travel will require each country to agree to work out the balance of payments between it and the United States with virtually no further gold sales by us.

If any country elects to deter American tourist traffic, either they can apply the deterrents themselves, following ample warning of the intention to do so; or the United States can warn U.S. tourists to minimize their stays and expenditures in the specified countries and to tax each day's stay therein, as shown by passports on return to the United States. It is possible that different rates of tax could be applied depending on the individual's income tax bracket for that year.

It seems unlikey that any country will choose to lose its American tourist business to an appreciable degree. Applying the proposed travel expenditures tax to countries like Great Britain, which desperately needs dollars, would be the height of folly for both them and us.

C. The United States can offer foreign central banks and possibly others a right to deposit dollars in a new type of account in the United States which this country will guarantee, in dollars, against any increase in the Treasury's buying price for monetary gold or any devaluation of the par value of the dollar communicated to the International Monetary Fund.

D. The United States should show a new readiness and flexibility to consult with and assist other countries which may have or receive in the future a greater quantity of dollars than they think is in their best interest. Of course, they have many ways of disposing of such holdings at their own command. In some cases, however, it may be mutually advantageous for the United States to borrow back such dollars—the idea of the "Roosa bonds" but applied more widely—to offer guarantees adverse changes in exchange rates, or use other available devices.

E. Last and most important and difficult of all is the acute need for a direct approach to halt the erosion of the dollar by cost-push price rises which has gone on for the last 30 years. Neither more taxes nor tighter money nor cuts in Government expenditures are an effective answer to them. Monetary and budget restraints can reach them only after creating dangerous increases in unemployment and slow-downs in business and agricultural marketings.

Since World War II, and even since the late 1930's, monetary expansion and budget deficits have been compelled by the need to overcome the unemployment-creating effects of union wage exactions. The last have been made possible by Congress's granting unions excessive powers since the 1930's without proper guiding principles and limitations. A revised Government policy to curb union "muscle" in coercing increases in wage, fringe, and other compensation terms