to it, or threatened by it, such as Canada, Japan, and the United Kingdom, would have to follow us.

There was a possibility that a number of European countries would not, at least for a period. Therefore, for a period of a year or two, we could have some net advantage out of it.

On the other hand, we were talking about a relatively small amount, a couple hundred million dollars.

I think there remains some danger when the largest economic power in the world undertakes measures like this, even though on a temporary basis, that it does set a rather dangerous example in terms of trade policies by other countries, for the future.

Mr. BYRNES. Don't you think also as the largest and most important country in the world, that we have some responsibility to set an example and that we should have the courage to put our own house in order?

What kind of example do you think we are setting today, with the adverse balance of payments that we have, and our accumulation of adverse balances over the years?

Ambassador ROTH. The answer is that you are absolutely right. We have an obligation to set our own house in order.

When we first talked to our trading partners in Europe after January 1, the first point you remember in the President's message was that we needed the tax bill.

Mr. BYRNES. That is not going to correct the current balance of payments within the near future.

Ambassador ROTH. That is right. Still, if I may make a point, this, almost like ASP. has become a symbol in Europe among the central bankers of the ability of this country to control its own economy. But it is not the answer to the immediate problem.

Nevertheless, the answer to our trade problem is basically one of controlling this economy, and having the surplus countries expand.

Mr. BYRNES. Controlling this economy?

Ambassador ROTH. Of having economic stability in costs and prices.

Mr. BYRNES. We are not doing that, though, are we?

Ambassador ROTH. Not sufficiently.

Mr. BYRNES. I have some difficulty with the idea that the way we should have our problem cured is to look to "our trading partners" to embark on a program of inflation and get ahead of us in the inflationary race.

That would improve it. Is that what you mean by this expansionary program that you say some of them have agreed to undertake?

Ambassador ROTH. Take the case of Germany. Certainly you are not talking about encouraging an inflationary mood in that country. Nevertheless, for a country in such a surplus position, it is perfectly reasonable that they have a growth rate in excess, say, of 4 percent. And it is unreasonable, getting back to this very complex problem of border taxes, when they go from under compensation to full compensation, from 4 percent to 10 percent, as they did earlier this year. Their own economists, some of them, will admit that this could have the equivalent effect of a devaluation of 1 or 2 percent. For them to do that at a time when they are in a surplus position is not reasonable, in terms of what should happen in the adjustment process.