Mr. FULTON. We welcome you.

Mr. CERF. Our trade policy recommendations are derived from a broader spectrum of U.S. business than any other business organization in existence. The national chamber is composed of some 3,900 organization members, including over 1,000 trade associations and more than 33,000 business members, together constituting an underlying membership of more than 5 million individuals and firms.

It is well known to this committee that, since 1934, the national chamber has consistently supported the principle of the U.S. reciprocal trade agreements program. The chamber rests its case for trade expansion on a fundamental tenet. I refer to the well-established economic principle, that trade, investment and economic growth benefit when artificial restraints are minimized. Just as it has been the chamber's goal to reduce government intervention in business domestically it equally seeks to reduce artificial and discriminatory devices in restraint of international trade.

Before specifying our recommendations to this committee, permit me to be a bit more specific about the underlying chamber view to which I have referred.

1. *Balance-of-payments problem.*—The United States is suffering balance-of-payments difficulties along with rising domestic prices. The fundamental cause of rising prices, aside from wage-cost factors, is inadequate domestic fiscal discipline and, as this committee knows, the chamber has had much to say on this. With respect to the relationship between foreign trade and inflation, higher domestic prices lessen the competitive ability of U.S. goods at home and abroad. Added restraints on imports, however, feed inflationary forces without net gain to the balance of payments.

2. *Retaliation.*—Beyond the competitive disadvantage to American goods experienced because of inflation, new trade restrictions introduce the added possibility of outright foreign retaliation. Information gathered during recent foreign travels by national chamber staff and committee members tends to support the view that retaliation is not unlikely if new restrictions are imposed at this particular time. There is strong indication that rising economic nationalism in Europe, about which no one has any doubt, in several cases needs only the excuse of a U.S. reversal of its trade expansionist stance to justify trade and investment restrictions by Europeans.

I would like to underline that we don't only mean trade restrictions. We mean investment restrictions to which perhaps we are even more vulnerable.

3. "*Government-sponsored cartels.*"—Possibly the greatest current threat to our continuing successs in world markets is the prospect of a new, unprecedented American era in which the U.S. Government would move in on private business and start allocating markets. This country—the same government—that has fought business cartels and waged antitrust wars for three-quarters of a century is itself now being asked to apportion markets into prearranged shares among producers. It is not easy for some to comprehend why some maintain it is appropriate to slice up markets by Government action when preallocation among producers is ground for criminal action if it is a result of agreement between business firms.