

United States halted and reversed the improvement in the current balance and did not prevent a drastic deterioration of the capital balance.

The corrective measures, recommended by those who believe that you can correct a deficit by picking particular items in the balance of payments and working on them by means of selective restrictions and controls, have had only the success expected by (allegedly "unrealistic") economic theorists: if a chosen item was improved and the dollar outflow reduced under that particular heading, trouble quickly arose for another item, leaving the over-all payments deficit just about where it was. More will be said later on the question of "item-picking" and on the effectiveness of selective controls. One point, however, calls for reflection now. The deficit in the balance of payments has been between one and four billion dollars during the past 18 years. With a gross national product of over \$800 billion at the end of 1967, and between \$500 and \$750 billion in the past seven years, why should it be so difficult to improve the balance of goods and services by just another two billion dollars? With all controls and restraints, the payments deficit has refused to budge and the balance of international transactions has not done us the favor of improving by as little as one-half of 1 per cent of the gross national product. This, I believe, is most impressive. It impresses me chiefly as an indication of the great strength of market forces and an indication of the humbling weakness of governmental controls.

The upshot of it all is that after 18 years the payments deficit of the United States is worse than ever and shows no signs of improvement.

In the past, the deficits have been financed partly by increases in liquid liabilities to foreign holders of dollars and partly by drains on the monetary gold stock. It now looks as if in the future our deficits may have to be financed increasingly, and perhaps mainly, by the surrender of gold. If so, the United States will have spent all its gold within four or five years — provided it has not surrendered it even earlier through conversions of dollars which foreign holders have accumulated in previous years.