Hemisphere"; and again another $500 million by reducing the foreign-exchange cost of keeping troops in Europe.

Even if the new program succeeded in improving the balance of payments by $2.5 billion, it would still not *restore balance.* It would only *suppress imbalance,* and probably only temporarily. When the controls and restrictions are lifted, the deficit is apt to reappear in its full size. At best the reduction of the cost of keeping troops in Europe may turn out to be a continuing saving – either by bringing some of the troops home or by receiving compensatory payments from the NATO allies. All the other items, however, have to be regarded as regular flows, determined by underlying conditions such as levels of incomes and prices and rates of profit and capital formation. Such flows can be restricted or suppressed for a time but, if the underlying conditions are not altered, they will resume at the same or even increased strength as soon as the restrictions and prohibitions are taken off.

That the suppression of a deficit by use of police power does not restore "equilibrium" but merely conceals the symptoms of "disequilibrium," is relatively easy to grasp (though many manage to forget it). It is less easy to understand that the suppression of deficit items in amounts equal to the present deficit may yet fail to remove the deficit. The naive observer of the statistic of international transactions is inclined to assume that each reduction of a deficit item will be fully reflected in a reduction of the "over-all deficit." It takes hard intellectual work to comprehend the interdependence between the various items, to see, for example, why a reduction in the expenditures of American tourists abroad or a reduction in American direct investment abroad will to some extent result in increased imports and reduced exports of goods and services. These "feedbacks" may be large or small, but will rarely be zero. They can be zero only if the reduction in the flow of funds does not affect the use of funds either in the domestic or in the foreign market. Assume that an American, A, is prevented from lending his money to a foreigner, F; only if A then decides to sit on his money and not to spend, lend, or invest any part of it, and if F manages to disburse abroad exactly the same amount of money that he could have dis-