

This is a limited war economy and it calls for a limited war tax. This war tax is required not just to deal with the power readjustments east of Suez, but, in addition, to maintain social equities in a democratic society and to contribute to longrun economic growth and stability.

Chairman PROXMIRE. Thank you very much, Mr. Weston.

We convened at 1:45 p.m. because Mr. Saulnier has to catch a plane. For that reason, I am going to give up my time to the minority for questions. Professor Saulnier will have to leave shortly. Then I will yield to Congressman Bolling.

Senator JORDAN?

Senator JORDAN. Thank you, Mr. Chairman.

Gentlemen, may I express my appreciation to you for your fine discussions and statements that you have made here this afternoon which render a real contribution to the effort that we have to put forth to do our job here.

Mr. Saulnier, I regret I did not hear your statement. I glanced through it hurriedly, but I do have some questions that I would like to ask you dealing with the balance of payments.

Would you support imposition of a temporary import surcharge or a system of border taxes?

Mr. SAULNIER. I would very much hope, Senator, that any system of border taxes could be avoided. I can say this: In Europe today, rightly or wrongly, the thing that is regarded as important in signifying whether we are going to do the things that will make our balance-of-payments program work is the tax surcharge.

Now, one may say this is not sound reasoning on the part of our European friends. But, it is their point of view. I think I can say without any hesitation that a continuation of this impasse which we have now, a failure to act on taxes, will be interpreted in Europe as meaning that we are not prepared to do the things that are necessary to correct our balance-of-payments problem and will expedite the day when a new drain on gold will put the fat in the fire.

Senator JORDAN. Thank you.

To what extent do you believe that the present balance-of-payments program would adversely affect countries already in weak payment positions, and is it not likely that the program will further weaken the British pound and thus indirectly put more pressure on the dollar?

Mr. SAULNIER. I don't think there is any question but what our program will complicate the British problem. And, I don't think there is any question but what it means that certain things have got to be done abroad, specifically, on the continent, which might not otherwise be done.

I mean by that that the major countries there are going to have to stimulate their economies rather more than they might otherwise do, considering that they currently have cost and price inflation problems of their own.

But I can tell you this, Senator, in my observation, and I was in Europe for 2 weeks up until about 10 days ago, and I am leaving this room today to go back there tonight, that in Europe there is full and complete readiness on the part of central banks and governments to do the things that will make our program work. All they expect is that we give the right signals, ourselves.