

a couple of lines, was the war mentioned and then it was to deemphasize its effect by saying that it only constituted 3 percent of our GNP.

Do you feel that part of our inflationary problem, part of our prosperity, full employment that we are enjoying now is attributable to Vietnam and, if so, how significant a factor is Vietnam in stimulating the present economy?

Mr. SAULNIER. I don't think there is any question, Senator, but what it is an enormously important factor.

Layered on top of a Federal program of expanding nondefense expenditures, it has produced a condition of obviously excessive aggregate demand.

Now, whether the excessiveness of demand is due to Vietnam or to the nondefense expenditures is really, it seems to me, not something that it is very profitable for us to debate at this point. The two things are there. We have these deficits. They are causing all kinds of trouble. I think they are going to cause more. I would just like to see us move to eliminate them.

Senator PERCY. On the balance-of-payments problem, the Government has asked industry to forgo investment abroad, which we know is going to be, in the long run, exceedingly harmful to our competitive position and our worldwide position and to our balance-of-payments position, eventually, asking the American people or the American public to, for the first time in our history, really, in relatively normal times, to restrain their travel abroad, and yet a great part of our balance-of-payments problems to a degree today comes from, let us say, the possibility of a steel strike, steel imports in anticipation of such a strike that are dramatically increasing, a copper strike which is now costing us a billion dollars of gold at an annual rate. The strike is continuing, which is crippling to our national interest.

If we are in such a critical stage with our balance of payments, and we certainly are, we must ask this country to forgo its future because of the crisis at the present; isn't there something we should do to take extraordinary measures in appealing to labor and industry to stop these crippling strikes that are so dangerous to the national interest now?

Mr. SAULNIER. I could not agree with you more.

As I have indicated in my statement, Senator Percy, I was really very much disappointed in the Economic Report's treatment of this problem this year. I would be the last to argue that all of this vast stockpile of problems which we have accumulated is going to be solved if we were just to raise taxes. It is not going to be. There is a lot more on the agenda. Some of the things you have mentioned would be very high on my agenda.

Senator PERCY. Lastly, do you think it would be wise for the President to request voluntary arbitration in such cases which are in the national interest and which have such an effect on our balance of payments just as if it would be a matter of war production which is the same degree of importance?

Mr. SAULNIER. Well, we have a statute on the books, the Taft-Hartley law, which allows us to act in the case of work stoppages that are damaging to the national interest. I am not altogether happy with that statute. I had to live with it, if I may say so, for 116 days when