courage others to come visit the United States, it seems to me utterly unrealistic and undesirable for us to anticipate that there will be as many others economically able to enjoy vacations in the United States as there are citizens of the United States economically able to enjoy vacations elsewhere. We should regard our "unfavorable balance" in this aspect of it as a national asset, not a national liability.

Methods of accounting need recasting

Our unfavorable balance of payments, as recorded, is due in part to failure to distinguish adequately between short-range and long-range aspects, such as investments which are minus items in the short run, but which will yield plus items later on in the form of interest and amortization. The unfavorable balance is also due in part to commingling items, without differentiating among those which are liabilites and others which are assets in a true economic sense. Our huge investments in military operations overseas, even while essential to our national security, are a burden upon the U.S. economy, because almost all military outlays are nonproductive or even wasteful in a purely economic sense. But our investments in economic enterprises overseas, or our repayable loans to others, are of an entirely different color. Yet both, under current methods, are treated as minus or unfavorable elements in our balance-of-payments accounts.

The unworkability of settlement in gold

The real problem confronting us resides, not in our unfavorable balance of payments, but in the use of gold as a method of settlement. This is an unworkable anachronism. As the gold supply of the world is increasing at the rate of only about 1 percent a year, its use is not suitable in connection with the need for an expansion of international transactions in the range of 4 to 5 percent a year on the average. The use of gold simply means that some nations will not have enough of it to meet their essential obligations; and it is foolish and shortsighted for us to think that we would be in the clear if could change things around so that we had enough gold, or more than enough, while others were caught seriously short. For any nation which is caught dangerously short will need to resort to other measures of a restrictive or retaliatory nature (as we, to a degree, are doing now). These measures inflict far more damage than they are worth.

In concert with others, we should move as rapidly as possible, and with great vigor, toward improved international machinery for the adequate and flexible financing of international transactions. Resorting, for these purposes, to realistic currencies backed by the real wealth and integrity of nations, we should stop being impaled on a cross of gold.

The current CEA report intimates correctly that we should do this, but still clings excessively to traditional approaches to the entire balance-of-payments program—approaches no longer relevant nor creative.