

wealth and power will not save us or serve a wholesome purpose in the world.

America in this crisis must demonstrate the maturity and sophistication to free itself from the economic folklore that would have us believe all the answers will be found in the wondrous workings of the marketplace. Our marketplace economy has contributed much to America's progress and continued major reliance upon its operation is justified. However, exclusive reliance upon the blind forces of the marketplace would be dangerous, irresponsible, and even disastrous.

We must recognize that no one is challenging or threatening our economic system. A free society whose genius has achieved unity in diversity must demonstrate the capability of making compatible public planning to meet public needs with private planning for private gain. If we should fail, the serious gap between private affluence and public neglect will inevitably worsen and place our free institutions in grave jeopardy.

BALANCE OF PAYMENTS

The main factor that today blocks progress toward genuine full employment and full use of our resources to meet our urgent national needs is fear generated by the balance-of-payments deficit.

We in the UAW have repeatedly called attention to the exaggerated emphasis the Council of Economic Advisers places on a deficit in the balance of payments amounting to a fraction of 1 percent of the gross national product. On reading certain parts of the Council's report it is hard to resist the conclusion that there has been a reversal of two centuries of progress in economic thought—a retreat from the new economics to a new mercantilism in which the payments balance and the stock of gold displace full employment, growth, and the proper allocation of resources as the prime concerns of economic policy.

Emphasis on the payments deficit as a major determinant of economic policy is all the less justifiable for two reasons. First, the size of the deficit in 1967 was based on an unusual combination of factors, most of which are not likely to be repeated. Among them were transactions connected with the devaluation of the British pound, a decrease in exports due to the slowdown in the economies of our major trading partners, and an increase in imports due to the copper strike and in anticipation of a possible steel strike. Moreover, the war in Vietnam, which hopefully is not to become a permanent feature of our national life, accounted directly for more than two-fifths of the total deficit (on a liquidity basis) and probably a significant additional proportion indirectly.

Second, as President Johnson pointed out in his Economic Report, we do not have a deficit in the true sense but rather a shortage of liquidity such as a prosperous businessman might suffer who "has been borrowing extensively at short term to help finance his long-term investments." Liquidity is measured essentially in terms of the national stock of gold in relation to potential claims against it.

We do not agree that the United States must sacrifice the growth of its economy, and the welfare of its people and those of the developing countries, as well as its domestic tranquility, solely in order to conserve its hoard of a myth-encrusted metal that has very few practical uses. The time has come, in our judgment, to think—and to do—the unthink-