As you point out, part of the balance was achieved through so-called special transactions. I will return to them in a second. The other part was achieved, however, for three reasons.

We had a huge inflow of capital into our stock markets, into our banks and into real estate investments, starting about April or May. Mr. Widnall, I think no one knows exactly why capital moves from country to country. We have asked our colleagues in other nations why this flow occurred, and they gave us three reasons.

No. 1. The U.S. Congress had the courage to raise taxes in an election year to cure the huge deficit we were running and demonstrated to the world that we did possess the courage to enforce fiscal discipline on ourselves.

No. 2. The disturbances in France caused somewhat of a tremor throughout the investment world.

And lastly, No. 3, the invasion of Czechoslovakia by Russia seemed to create a feeling in the world that perhaps Europe was not as safe as some had thought.

These were the answers that we received from our colleagues. I cannot improve on them, sir, and I only submit that a man who buys $10 million generator from Westinghouse or General Electric cannot sell it immediately. Usually he has to find a buyer. If he buys $10 million in their stock, he can reverse it in an hour. That is the difference in the flaws between a surplus in the trade accounts and in the capital accounts, Mr. Widnall.

So I say we cannot take too much comfort from these figures. Although they are accurate, they are accepted as traditional accounting procedures. The statistics, however, do not always give you the precise situation.

Now, as to the special transactions. One of the things that has really troubled me, and Secretary Fowler, and Secretary Dillon, and Mr. Okun, and his predecessors, Mr. Ackley, and Mr. Heller, all of us, and before that, the last Republican Secretary of the Treasury, Mr. Robert Anderson, was the terrible problem of how are we going to meet our security arrangements in the world? How are we going to keep the 7th Army in Europe as our share of the NATO defense, how are we going to keep the 6th Fleet in the Mediterranean, with the huge exchange costs that they both entail because we pay our troops in dollars? These dollars are spent overseas. The dollars are converted into deutsche marks or French francs or Italian lire which in turn can become a potential call on our gold reserves.

Now, we have attempted in every way we know to find a way as we put it, to "neutralize" the foreign exchange impact of these military deployment expenses. In other words, we are trying to find a way so that we can do what is proper and right for this country to do in sharing the military burden of keeping the peace of the world without bankrupting the international financial reserves of the U.S. Treasury.

One device we have hit on to cover part of the difference between the cost of our forces and the cost of military equipment other countries buy here—I do not insist it is the best but it is working at this time—is the so-called special transaction. For example when our forces spend money in Germany the dollars go to the German Central Bank and could be put to us for gold. However, the Germans have agreed