

fellows, you know, and ladies. None of us have bled. We are all in good health and good spirits.

Senator PROXMIRE. They also get paid more.

Representative BOLLING. That is good, too.

Senator PROXMIRE. I just observed to Mr. Bolling they also are getting paid a lot more than we are.

Senator Percy?

Senator PERCY. Mr. Chairman, I would like to use this occasion to express my appreciation to Secretary Barr for the fine relationship I have had with him for 2 years. We have agreed completely on the necessity of a tax increase and I hope I was somewhat helpful in this regard. We disagreed on the matter of Federal backing of homeownership bonds, but every point of view that I and my colleagues have had has been given full hearings and I am most appreciative of that.

I understand that this morning there was some discussion of the balance of payments, particularly with respect to purchase of bonds by Germany. I attended the NATO parliamentary sessions a couple of months ago as part of the Senate delegation and it seemed to me, as we worked on the Economic Committee, that it was a precarious thing to leave to annual negotiations; for us to go hat-in-hand and to be subject to the political problems of a country like Germany—when it might not be a very popular thing for a government to buy our bonds. It seemed that this is a continuing problem.

It we could adopt as a principle the position that no country should benefit or lose in a balance of payments sense as a result of its contribution to the mutual defense of the 15 NATO countries, then we ought to be able to be ingenious enough to create a mechanism for doing this automatically rather than in these annual negotiations.

I found the 15-member nation body very receptive to the unanimously approved resolution that I presented to the Economic Committee to the effect that such a device be worked out. I was pleased that the Ministers at their meeting included this section in their report. This would save us about \$750 million a year in balance of payments.

Secretary BARR. In Europe alone.

Senator PERCY. It would get us out of this 4½ year short-term bond. They ought to be for 15 or 20 years. There ought to be some sort of a central bank set up to do this automatically by the purchase of bonds from the debtor countries, and the sale to surplus countries by some central bank.

Now, this resolution, has been adopted.

Would you recommend that this be a high item of priority by the new administration? Is the Treasury Department the right place to implement this and make all the necessary arrangements?

Secretary BARR. First of all, Senator Percy, I think the country—I do not want to get too flowery here—and the whole world owes you and the people working in this area a deep debt of gratitude because the one thing we have never had to do and the one thing I pray that Secretary Kennedy does not have to do is go to the Defense Department and say we simply do not have the reserves to keep the 7th Army in Germany or we are going to have to pull the 6th Fleet out of the Mediterranean because we do not have the foreign exchange reserves.