

Mr. Okun, although we have the first surplus in our balance of payments since 1957, I am very much disturbed that it is such a tenuous surplus because of the unnaturally high inflow of capital and the deterioration of the balance of trade.

To what extent can we look for an improved picture in the merchandise trade balance during 1969?

Mr. OKUN. I think we do see a prospect for a significant improvement providing the program to keep the growth of the economy moderate is implemented and is successful. The story last year was the 22-percent surge in our imports of good and services. That certainly reflected the fact that an overheated economy which couldn't meet all the demands that were being placed on it shunted some of those demands to foreign goods. Our exports had a healthy growth, 9 or 10 percent.

What we would see for this year is a continuation of that growth of exports with a very modest growth of imports and that should begin to widen our trade surplus.

But it is going to be a long uphill course to get back to the kind of healthy trade surpluses we had in 1964 and 1965 which did provide a very firm foundation for our balance of payments. There is no question that the United States has to have a significant trade surplus to maintain the fundamental strength of the dollar in the years ahead.

Representative MOORHEAD. Thank you, sir. My time has expired, Mr. Chairman.

Senator PROXMIRE. I know the hour is late. I know you have another engagement. I am going to be as brief as I can.

I do wish to get into the balance of payments. I think it has been in the worst shape it ever has been, at least in the years I have been here, especially because of the merchandise balance and the balance on goods and services, which we were told about by Mr. Deming yesterday is minus 1.8 billion.

We have this extraordinary inflow of capital at \$7 billion capital account which is favorable, but that is so tentative and so temporary.

Let me get back to Mr. Zwick with two questions.

No. 1, Mr. Zwick, this follows up the questioning I had before: Why does the Bureau continue to approve budget requests for programs where exorbitant cost overruns are repeated year after year such as the C-5A cargo plane, the F-111, F-4, Minuteman, and almost every other major program?

We had testimony from Mr. Charles that on the average during the 6-year life or so of the big weapon procurement programs they escalate 200 to 400 percent, and we have talked to analysts at the working level in the Bureau of the Budget who were very disturbed about this and very concerned. Why doesn't the Bureau of the Budget ever say no, or are you in a position to say no?

Mr. ZWICK. Of course, the issue is modernization in the Military Establishment versus efficiency in procurement, and that is always a difficult tradeoff. If we would procure standard items, stop modernization, clearly we could improve efficiency.

Senator PROXMIRE. What I am getting at, if you could only get into this operation which I think is something which has been neglected, we haven't had a report on it, certainly it has been neglected by those of us in the Congress. We haven't investigated it the way we