

—the realization of the export potential of our industry through selective export expansion programs.

B. Soundly Managing the United States Economy To Keep It Competitive and Stable

President Johnson stated in his January 1 Message On The Balance of Payments that the first order of business was to take the necessary steps to stabilize our economy. Enactment of the Revenue and Expenditure Control Act of 1968 was the key to stability. The President also urged labor and management restraint in wage-price decisions and instructed the principal officials in the economic area of the Administration to work with leaders in business and labor to make effective a voluntary program of wage-price restraint. A similar instruction dealt with preventing costly work stoppages which could reduce exports and increase imports.

Unfortunately, delays beyond the reach of the Executive Branch in accomplishing this first order of business contributed to continued instability in the American economy and thus to an unsatisfactory performance in the trade areas. Our exports grew by a very satisfactory rate of 9.1 percent during the first nine months of 1968 to a level of \$25 billion—or an annual rate of \$33.4 billion. A large part of the deterioration in the trade account was due to overheating in the domestic economy which led to an excessive high rate of imports. Imports rose by 24.9 percent in the first nine months of 1968, as compared with 1967, to reach a level of \$24.8 billion—an annual rate of \$33 billion. Our trade account in 1968 has been hurt also by a series of major work stoppages or threats of strikes in industries such as copper, steel and aluminum. It is estimated that the trade account suffered in the first nine months by over \$600 million as a result of these labor difficulties. There has also been the threat of a possible strike by the East and Gulf Coast Longshoremen Association now a reality, this strike if continued for any length of time will affect the balance of payments adversely.

Passage of the Revenue and Expenditure Control Act of 1968, although delayed to midyear, had an important effect on stabilizing the domestic economy. The outlook today is for a small budget surplus for Fiscal Year 1969 as compared with an estimated deficit before passage of the legislation of approximately \$25.4 billion for FY 1968. Also passage of this tax and expenditure control legislation, particularly in an election year, did much to restore confidence in the United States Government's determination to manage its financial affairs appropriately. As a result, the recent disturbances in the foreign exchange markets of the world hardly affected the dollar. The Revenue and Expenditure Control Act expires on June 30, 1969. Decisions will