Mr. McCRACKEN. This is—incidentally, may I say I hope Dr. Ackley is establishing a tradition for ex-Chairmen. [Laughter.]

This is my understanding—that the projections in the budget do assume a continuation of the conflict.

Representative GRIFFITHS. Do you—I don't remember whether the bill is for a period of a year or we would have to renew it—but are you personally for the expiration of the controls over everseas investments?

Mr. McCRACKEN. I took the position as a private citizen when these were put into effect that I thought fundamentally we were going down the wrong road here, that it was another dimension of the world's moving toward direct controls in order to preserve the machinery of of the system. Indeed, in a paper of mine a year or so ago, I said that we have to countenance these only reluctantly. One of our basic long-run objectives here, as elsewhere, is to try to move toward a dismantling of these controls and toward a more liberal international system.

Representative GRIFFITHS. But wouldn't this be one of the wise things to permit to wait until Vietnam is over?

Mr. McCRACKEN. This is one of the questions which has to be looked at very carefully. Vietnam is itself a leakage in our external accounts.

Representative GRIFFITHS. I noticed that you mentioned also the problems of the EEC. Now, as a matter of fact, you need a renewal of authority to negotiate with the EEC. One of the problems last year in renewing that authority was the great danger that you would attach so much protectionist legislation to it. Do you see any real reason to believe that there is any less danger this year, than when that bill is opened up there will be additional protectionist legislation?

Mr. McCRACKEN. That is a very real problem. I see no diminution of protectionist sentiment. Quite possibly it is going the other way.

Representative GRIFFITHS. So that on any of these situations you are going to have increasing problems with balance of payments, and no matter which remedy you seek to impose, you are going to open up other great problems; is that not true?

Mr. McCRACKEN. I think that is true.

This focuses on the basic importance of cooling our domestic economy. We must attain a basic balance-of-payments position which is not causing the flows of imports that we have had in recent years—which, in turn, do create direct pressure for protection.

Representative GRIFFITHS. May I ask you specifically how you intend to get more money into the homebuilding market?

Mr. McCRACKEN. The most fundamental resolution of this problem has to be to deal with concern about the price level in order to get interest rates down to a somewhat more normal level. We must achieve a situation where people have more willingness to put their funds where they will flow into housing. This is a fundamental approach to this problem.

Until we do that, we have to reconcile ourselves to the fact that housing and construction are going to be adversely affected by our present conditions.

Representative GRIFFITHS. Do you intend absolutely to balance the budget, and if you do, which route are you going? Are you going to do it by cutting expenditures or by taxes or by a mix?