the analysis that we are going through. In fact, they are starting now to work on it.

Representative REUSS. You will, I hope, be willing, in view of the fact that the investment tax credit not only loses the revenue, of course, but in view of the fact that it has a very sharp inflationary potential—you will, I hope, put that near the top of your list.

Secretary KENNEDY. That will be very much on our list. We have already discussed it in general terms, but there is no indication that the actual effectiveness or ineffectiveness has been established.

Representative REUSS. Now, turning to the international field: this committee, as you know, has long opposed an American official increase in the price of gold. Among the reasons for our view is that to do so would hurt friends of the United States who have relied on the promises of three Presidents not to fool around with the price. It would help the speculators, it would help countries which by grabbing gold have succeeded in embarrassing us at various times. It would help the principal gold supplying countries, the Soviet Union, and the Union of South Africa. It could well lead to a worldwide inflationary situation by producing superabundant reserves. It could produce a destabilizing effect, because having once done it people might expect that it would be done again. And finally, of course, the power to change the price of gold lies, we believe, entirely in the Congress.

Would you agree with the position I have just outlined and with the reasons given, and comment on any of those reasons?

Secretary KENNEDY. I have had a few things to say on this myself, as you well know. And I would like to put it in the record, Mr. Chairman, the remarks which I made on this subject at the White House on January 22, 1969.

Chairman PATMAN. Without objection it is so ordered.

Secretary KENNEDY. Thank you.

(The statement referred to follows:)

We have inherited inflationary pressures that are seriously distorting the economy and financial markets. That inflation must, and will, be contained.

We are all conscious of the risks of abrupt and blunt action that could bring unnecessary unemployment. We mean to avoid that. But we are equally conscious of the risks of not moving decisively, because inflation is undermining both the foundation of our prosperity at home and our balance of payments position.

The indications of an over-all statistical balance in our international payments last year are welcome.

But no one should be deluded. Underneath the over-all result, our trade balance has sagged to the vanishing point under the pressure of inflation, and additional controls on American investment were imposed to achieve the balance. We do not plan to rely indefinitely on tight controls or statistical window dressing to disguise, but not cure, a basic deficit. Maintained too long, these devices can only be self-defeating.

It will be our purpose to maintain a strong dollar both at home and abroad. We will not seek an answer to our problems by a change in the monetary price of gold. We see no need or reason for such action.

Calm study in cooperation with our friends—not unilateral actions or disruptive changes in the vital role of the dollar and gold—must remain the foundation of real reform and progress in the international financial system.

Responsible budgeting and support for firm monetary policies are the core of the actions that must lie behind any successful attack on inflation and our balance of payments problems.

Representative REUSS. Did any of the points I have made disturb you in any way?