



UNITED STATES TRADE POLICY

Dr. Howard S. Piquet

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Reviewed by: Colonel J. H. M. Smith, USAF, 7 December 1962

**INDUSTRIAL COLLEGE OF THE ARMED FORCES
WASHINGTON, D. C.**

United States Trade Policy

13 September 1962

C O N T E N T S

	<u>Page</u>
INTRODUCTION -- Captain Richard A. Teel, USN, Member of the Faculty, ICAF	1
SPEAKER -- Dr. Howard S. Piquet, Senior Specialist in International Trade and Economics, Legislative Reference Service, Library of Congress	1
GENERAL DISCUSSION	25

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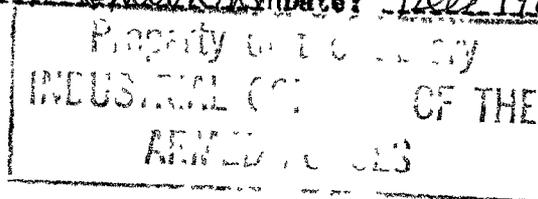
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INDUSTRIAL COLLEGE OF THE ARMED FORCES

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CAPTAIN TEJEL: This morning, gentlemen, we are particular fortunate in having as our guest speaker a noted specialist in the field of international economics. As such he has served as an advisor to various Congressional committees and to Members of Congress ever since 1946. His subject today, "United States Trade Policy," is particularly appropriate at this stage of our international living, because of a booming European economy. I suspect that we will hear something of this and of its impact upon our own trade policy during his talk this morning.

As a matter of interest, our speaker, in 1944, was instrumental in the reactivation of the Industrial College, and this is his 14th appearance here. It is a pleasure to present to you now, Dr. Howard S. Piquet.

DR. PIQUET: Thank you very much for that nice introduction. You people ought to be getting so used to me that you know what I'm going to say before I come here, but fortunately you change and I don't. I come here all the time and give the same old story. I have new Commandants, a new staff, and new students, so it's easy for me; I don't have to remember what I said before; I just have to remember not to omit anything I've said before. However, I always have to start in by pointing out that as a member of the staff of the Legislative Reference Service of the Library of Congress I work exclusively for Members of Congress, but what I say here does not in any way represent the views of the Library of Congress or Congress.

But those of us in the technical fields who work for Congress are very fortunate because we have so many bosses on all sides of all questions that provided we are honest with ourselves we can pretty much say what we believe and what we think. So, I'm not going to try to speak for the Administration because I'm not responsible to the Administration; I'm completely irresponsible.

Foreign trade policy today has come to be the topic of the day. All of a sudden something that has been usually looked upon as being very dull has come right to the forefront of discussion. And since it's such a highly technical problem - or a series of technical problems - it's very difficult in a few minutes to try to clarify the issues, but I'll try to do the best I can.

First of all, there is a trade bill pending in Congress as you probably all know. It's known as the Trade Expansion Act of 1962, which has passed the House of Representatives and is now before the Senate Finance Committee in executive session. It's pretty much what the President proposed, although it has been modified, but whether it will go through the Senate or not, which is a question that is in the forefront of everybody's mind, is an open question, because the Senate is a much more free-wheeling body than the House of Representatives. There is no such thing as a closed room. Anybody can offer amendments, and some of the Senators, particularly from some of the Southern states at the moment are very angry because of the Tariff Commission action with regard to the rejection of the import equalization fee on cotton textiles to offset the subsidy - the export subsidy - of 8 1/2¢ a pound, which puts them at a disadvantage. They have thrown the ball back to the President and now the President has taken a public stand that something must be done

about it and has thrown the ball to Secretary Orville Freeman.

But some of the textile Senators are quite sore about this and it may be that the bill will be amended rather severely before it comes out. But I don't know and nobody else knows what's going to happen along that line. We'll just discuss it now on the basis of the present status of the bill, or the present content of the bill.

Traditionally this country has been arguing about the tariff ever since the inception of the government. In 1789 the very first action of the Congress of the United States was the Tariff Bill. And it was protectionist - mildly protectionist. Ever since that time we've been debating the tariff. Protection and free trade is just as native as Barnum and Bailey; just as inherently American. That debate is still with us. It takes a different form from time to time, but it's essentially the same old debate. And neither side is willing to admit that this is the debate.

Now, I happen to be a trained economist, and I happen, therefore, in terms of philosophical conviction, to be a free trader. I mean, let's admit it; let's put the label right on me; there it is. Whether I said that or not I would still be called that. Free trade in theory is a very simple thing. And we in the United States, the richest of all countries in the world, about the only country that could afford at the moment to go on a free trade basis without hardly even noticing it - well, let's have the theory first in very simple terms. It simply means that people will do the things that they can do best, and that if everybody does the things that he can do best we will all have more production.

Not long ago I was in a dental surgeon's office with my son having four wisdom teeth out at one fell swoop. Well, that guy just went from room to room taking out

teeth as though he were shelling corn. Somebody else gave the anesthetic; somebody else got the people out of the anesthetic. All this guy did was to take teeth out like this - four teeth, \$100. I'm sorry I didn't study dentistry. But anyway, that dentist is a very competent person. You can see by the way that he flips the tools. He undoubtedly would be good at anything he does in terms of physical work. He probably could repair his wife's electrical equipment around the house - toasters, vacuum cleaners, and things like that. He undoubtedly could do his own office work. He undoubtedly could give his own anesthetic. But he doesn't do it. Why? Because it wouldn't pay him to do the things in which he doesn't have the maximum opportunity to use his talents. Therefore, he concentrates on the things that he can do relatively best. He could undoubtedly do the work that the nurse does, better than the nurse can do it, but it doesn't pay him to do that. Because, the differential between the income or the price that's paid for the dental surgery surgery skill part is so far greater than what he would get as his own technician, that he lets the next best person do that. The same with his wife's cleaning equipment; it's better to take it down to the electrical shop and have it fixed. This is what we in economics call the principle of comparative advantage. And it applies throughout economic life; not just in international trade.

The international trade theory is simply the extension or the application of this basic principle that all of us in this room, I hope, are trying to follow. In your personal life I'm sure you all do follow it. That's all we mean by the theory of free trade; that people in countries should apply themselves to the things that they can do best.

Let me be a bit more specific and concrete with regard to our own economy. We produce things in this country - many things - far more efficiently than any other country in the world, in spite of all the talk you hear about the United States pricing itself out of world markets; most of which is nonsense. We are exporting more goods today than we have ever exported before. We are exporting machinery to Europe in spite of the fact that they are also sending us machinery. There are certain things, also, that we are producing, that we cannot produce efficiently relative to other countries. Many cotton textiles - specialty items - we cannot produce as cheaply as they can in Japan. Or pottery - chinaware - produced in the State of West Virginia and southern Ohio, we cannot produce as cheaply as they can in Japan.

80% of the cost of producing chinaware is labor cost. The labor cost in Japan is so much lower than ours across-the-board that we cannot stand up without some sort of protection in that industry. The same with regard to hardwood plywood. Japan can import from the Philippines Philippine mahogany, make it into peela logs, make the plywood, send it over here, and compete in the interior of the United States market, or continent, with the plywood made in the upper peninsula of Michigan and Wisconsin, because the labor is so cheap in Japan.

Now, you can see the generalization that we can draw from this, can you not; that it would far better pay for us to allow Japan to send us these things and let us concentrate on the things that we can do best. And, as long as you look at the thing from far enough away; as long as you are not a stockholder in a pottery company, or as long as you're not a Senator or Representative from the State of West

Virginia, you can afford to talk the way I'm talking. But if I were a Representative or Senator from the State of West Virginia and I wanted to remain a representative of my constituency in West Virginia I couldn't and wouldn't talk this way; for very obvious reasons. And there is the crux of the problem not only of foreign trade policy, but of our economy generally. How can the citizenry of a large democracy like the United States, based upon representative government on a geographical basis, get its sights high enough to see what must be done as a nation, particularly in the context of a bi-polar world where it is ~~absolutely essential~~ to us, politically and militarily, that we in the Free World be strong? That's the test of our national policy.

Now, under these circumstances it's very questionable in my mind, as I pointed out in the pamphlet that I understand you have that I wrote for the National Planning Association this year, on foreign trade and foreign policy. It is very doubtful whether we can any longer afford the luxury of the protectionist free trade debate. Because, it is a debate. This year the high schools are debating it; dressed up in a little different title, but that's essentially what they are debating. The colleges are debating it. It's a national debate subject. It's very doubtful whether we can afford to debate it on that basis anymore.

Foreign trade, meaning by that in this particular context, the opportunity of the underdeveloped countries and some of the developed countries like Japan that are so important to us strategically in the Pacific where the opening up of the markets of the West, which means primarily ourselves and ^{Europe} to them, is so vital, so important, that we have to look upon foreign trade policy as a part of foreign policy, an

integral part of foreign policy, and to set policy along those lines. That's what the President's Trade Bill is doing. That's one of the reasons why it's arousing such opposition in certain quarters; because the President has asked in this bill that he be given the power that no President of the United States has ever had before in this field, to remove tariffs altogether on certain products. That is the part of the bill we call the 80% provision. It provides that in those broad statistical categories like industrial machinery in which the United States and the European Economic Community countries, that is; Belgium, the Netherlands, Luxembourg, West Germany, France and Italy, together export 80% or more of the world total exports outside of the Communist countries.

There are about 25 or 26 categories in which the President could take action under that provision provided the United Kingdom joins the EEC. And one of the main reasons why the Administration has placed that provision in this bill is to exert pressure upon both the British and the EEC to cause them to unite. It has always been in our interest - since the close of World War II we have recognized this; that there be a strong Western Europe, politically, economically, and militarily. And the economic strength will arise very largely out of the integration of their economies, the tearing down of their internal barriers, and the cooperation between them and ourselves. That has been the national policy of the United States ever since the close of World War II. I'll come back to that in just a moment.

But, the point I'm making at this juncture is that in the Trade Expansion Bill the President has inserted this provision which gives him peculiar special powers vis-a-vis the EEC. That, in my opinion, is a demonstration of a willingness to

use foreign trade policy as an instrument of foreign policy, and I think the President should be congratulated for that. I don't think it goes far enough, but at least it's a beginning. It also gives him the power to remove all tariffs 5% or less, which will be very important to Canada, because a very large percentage of our dutiable imports from Canada come in at 5% or less. Many of them are nuisance duties, although some of them are restrictive.

Just as important as this is the fact that the Trade Expansion Bill includes a provision that some of us economists have been advocating for the last eight or nine years, of trying to facilitate the adjustment of the domestic economy here in the United States to necessary imports. This is Title III of the bill which is known as the Trade Adjustment Section of the bill.

Now, what is this all about? We Americans, ever since the beginning of our nation, as I said before, have been debating the tariff. At no time have the free trade advocates ever won out. We have never given up tariffs. We've sometimes had low tariffs; we've sometimes had high tariffs; and sometimes we've had both together. But whatever we have we're always trying to change it, and I find that devoting my life to the tariff and foreign trade, that I have a life work that will never stop. It will never be solved. We haven't the courage of our convictions to make a real decision. We'll be debating the tariff long after I'm gone; long after you're gone, I'm afraid.

But, this is predicated upon a fundamental idea which I think everybody in this room has - and I have it - and that is, that no individual American should be called upon to bear the cost of increased imports even though they're in the national

interest, if those increased imports are going to result in injury to him. Because he's the innocent victim of something. Those people in West Virginia who are producing these things inefficiently in terms of the national picture; they are efficiently operated as far as companies are concerned. Some of those companies down there are the best operated I've seen anywhere. But they just don't belong in this country with their high wages, because they have to pay high wages in order to attract labor away from the industries that are producing for export. Our wages are high, thank goodness, because our productivity is high in those lines in which we are most efficient. Therefore, the inefficient lines have to pay the high wages. So, we'd be better off without those industries provided there is no national security angle, and mostly in those cases there is not.

So, if we're going to avoid injury and if we're going to increase imports, haven't we got ourselves in a nice little box? We have if we persist in defining injury in the way we have been defining it ever since we have been debating this subject. Injury is not defined in the law, but under the Escape Clause of the Trade Agreements Act there is the provision that says, "If any domestic producers"- or "any industry" - the way it reads in the present act, "feels that it's being injured by import competition" - and to make it sound a little more palatable it says "seriously injured" which just simply complicates it a bit more - "by import competition, it can appeal to the U. S. Tariff Commission." The U. S. Tariff Commission makes an investigation and if it finds that there is injury or even a threat of serious injury they report that fact to the President together with their recommendations for action.

Those recommendations can include either a raising of the tariff by 700% in some cases - 700% - that is, 50% above the levels of 1934 before we had all these reductions under the Trade Agreements program. Or, he can impose a quota. Or, he can ignore the thing altogether and just say that these imports are necessary to the national interest, and do nothing, and face the political wrath that comes from that.

We have defined injury in practice as meaning that nobody must be inconvenienced to the extent of getting out of business. We are subsidizing the status quo. We are denying people the privilege under the free enterprise system, of failing. Basic to the American economic system; basic to our economic philosophy, is the principle of individual enterprise, risk taking, profit or loss; that's very essential to our system. But we have acquired the virus like everybody else has of preventing economic adjustment from occurring. We subsidize agriculture; we subsidize the airlines; we subsidize the railroads; we subsidize everything. Why? Because we don't want to face up to the fact that people ought to be adjusting out of one line and into another.

Now, when this adjustment occurs at home because of domestic forces, technological change, for example, even though people don't like it they don't think of going to the government and saying "We want a subsidy against change," although many times you'll hear people talk about doing something, particularly in a depression period; who insist that government contracts only be given to those people who use a certain percentage of labor as opposed to machinery. During the depression period that was one of our big problems; how to recognize that technological improve-

ment is important even in a depression.

The inconvenience of shifting should not be deemed to be injury. Injury does not occur to corporate bodies. Injury does not occur to industries, which is a statistical concept. Very few industries today produce just one product, and very few products are produced by just one industry. Our large corporations and large industries produce a full line of products; many overlap. Products don't get injured; industries don't become injured; corporate entities don't become injured; the only injury that can possibly occur is the injury to people. And those people can be either employees or they can be stockholders. But, it's always injury to people. Therefore, if we were to define injury this way in the law we would recognize that the important thing is not that somebody has to get out of a textile industry, or a particular company in the industry; or out of the pottery industry, or a company in the pottery industry, but that he can't find another job. Then he's injured.

The important thing is not that you have to shift out of something, but whether there's an opportunity to go into something. We recognized this in 1946 in our GI Bill of Rights; you people all know this. We recognized the principle that the boys in this country who were forced to take the productive years of their life to go into military service should not be penalized any more than the 4Fs who didn't have to go. So, we gave them the opportunity not to go back to the line that they were in before, but to train for something.

That's what the President's bill does. It recognizes that in those cases where he deems that imports are essential in the national interest - it doesn't read quite that way, but that's the way it can be interpreted - he can, in an Escape Clause

not merely either accept the recommendation of the Tariff Commission for increased restrictions against imports, thereby freezing the status quo, or rejecting it; he has a third choice now if the bill goes through. This is the most important part of the bill. He would have the choice of invoking Title III which is the adjustment assistance provision. I'm not going into the details of this - you can read them in the bill - but I'm going to tell you just roughly what it is.

It would provide that in those cases where people can't adjust without considerable difficulty, if they are younger people they will be retrained at government expense, within limits, for new types of occupation; the United States Employment Agency will be stepped up in efficiency and will try to make jobs available on a national basis, so that if someone finds a job in a different part of the country the federal government will pay his moving expenses and the expenses of his family to move; retraining is provided for; stepped up unemployment compensation, working with the states; and earlier retirement, although that part has been pretty well stricken out.

I don't much care myself, looking at this thing in the long-run perspective of this nation's economic foreign policy, exactly the form that the Adjustment Assistance Provision takes. I'd like to see it passed the way it is. But the important thing is that it not be stricken from the bill, because this represents a new philosophy, the philosophy of rolling with the punches, so to speak; the philosophy of not being so brittle that we're going to defend everybody who is forced to adjust because of import competition.

So, the bill, as you can imagine and as I have said, even though it has many

shortcomings - and I'm quite critical of it in some respects - and I'm certainly not here to give you a political harangue in favor of any one bill; this bill goes much farther toward a rational acceptance of the necessity of imports than anything that we have ever done historically in this field. That's why it is important. Whether the bill will go through, as I said before, I don't know. There's a lot of opposition to this. When it was first proposed in the Randall Commission in 1954 those of us on the staff who were interested in this were working very closely on the staff with Dave McDonald, the head of the U. S. Steel Workers' Union, and were pushing for this kind of adjustment. It was interesting; at that time Senator Milliken, among others, called it Socialistic; that here we were trying to push people around.

Referring to his own State of Colorado he said, "You're going to take my people out of Colorado, away from their churches, their homes and their relatives, and you're going to move them around like checkermen." The tears rolled down his cheeks. He could see these poor people being pushed around by a powerful federal government. That isn't what this bill would do. That isn't the philosophy we are talking about. If a guy wants to stay where he is and starve to death he ought to have that right. All that it says is that the federal government is there to give a helping hand. But it also recognizes the principle that the national interest must take precedence over individual status quoism. That's the important principle.

It's not easy to define this, and it may well be if this becomes law that there will be a lot of abuse of it. Whenever you spend money in government there is going to be abuse, obviously. But this is small potatoes compared to our agricultural subsidies.

This whole thing probably wouldn't cost over - oh, \$10 or \$20 million⁴ at the most. Most of these industries are not going to be hurt. Almost ten years ago I published a book on this subject called "Aid, Trade and the Tariff." It has been quoted all over the place. It's based on my guesses, but my guesses based on work with the Tariff Commission where I used to be head of the Economics Division. Working with those people informally I made estimates, or, we made estimates on what would happen to the United States if we were to go on a free trade basis. On the basis of these commodity experts judgment, having given a lifetime to these commodities, we tried to determine just what the degree of expansion would be. After giving all the benefits of the doubt to the protectionist side we came up with the figure that there would be an increase of imports somewhere between \$1 and \$2 billion^{since}/ten years ago; a little higher now, of course. Percentage-wise it would be about the same, I think.

Then the Department of Labor - the Bureau of Labor Statistics - translated these figures into jobs on the basis of their inter-industry tables and came up with a figure that the loss of jobs - the short-run frictional loss; because in the long-run, of course, there would be more jobs for everybody - but in the short-run the number of jobs that would be effected, where there would have to be some shifting, would be between 200,000 and 300,000 out of an employment today of, what is it, 67 or 68 million people. It's just like running an automobile on the highway; when you hit a small stone or pebble the car might lurch a bit, but you immediately regain equilibrium.

The amount of frictional¹ unemployment that would be caused by this would be

very minimal. And I think those figures are correct; at least nobody has been able to dispute them. And they've been confirmed by other experts working independently; at least the order of magnitude has been confirmed, I believe, by everybody that I know of. Certainly there wouldn't be millions of people thrown out of work. I will admit, however, that 300,000 jobs coming at a time of a recession, or increasing unemployment, would not be comfortable; we admit that. But now supposing we just say that we don't care about this business of foreign trade liberalization. Let's live unto ourselves and let's freeze our economy; full employment is the important thing. We want to keep our people employed. Why allow anything to interfere with it?

If there were no Soviet Union and there were no Communist China; if we could wake up some morning and say, "Gee, I've been dreaming;" if this were a world of normal Western people who fight among themselves occasionally, but not down to the death, then I'd say, "Sure; why worry about all this business of free trade versus protection?" The difference in the ^{size of the} gross national product of the United States with free trade versus protection wouldn't be very great. We'd have a more comfortable existence, of course; we'd be able to get Mandarin oranges from China - they're very nice oranges - and we'd be able to import things that would make life a bit more comfortable, but we're not poverty stricken because of protection. Our protection is a peripheral thing.

But that isn't the point. The point is these other countries upon whom we are so dependent for a strong, free world - the United Kingdom, Japan, Western Europe generally, not to mention the developing countries of Africa; and if you

don't think that one's important you haven't been watching 'what's happening lately. The trouble is, we can't even think through the African problem. We know in some cases, though, that trade may be the answer. And in those cases where it is, for Pete's sake we ought to accept it. If they have bauxite to sell, or cocoa, or coffee, or incipient manufactures; even cotton textiles, perhaps it would pay us to buy some of them or see that markets are created.

Japan you people all know about, of course. Japan is prosperous. Of course Japan is prosperous; they're doing a marvelous job. But Japan's prosperity is awfully thin basically. Japan is almost in the same position that the United Kingdom was in throughout most of the 19th Century. She has to manufacture and export if she's going to maintain her level of living; 92 million people, small islands, with very limited resources. She has to live by being the manufacturing center of Asia just like Great Britain did in the 19th Century. She must export manufactured goods to get the exchange with which to buy the raw materials and foodstuffs that they need, to maintain their present level of living, not to mention a slight expansion due to a slowly growing population. Japan must increase its exports in order to maintain its present level of living.

I should think it's simple; that it's to our interests that Japan should find markets, maintain markets, and have growing markets. As an American I feel rather proud of the fact that we are accepting more goods from Japan than almost any other country in the world today. Our imports from Japan are about \$1 billion. But our exports, very largely of cotton - raw cotton - are just as big as our imports; in fact, a little larger. We export more cotton to Japan than we import in

the form of cotton textiles, by far.

But Europe has been behaving very badly on this. The EEC countries themselves are accepting only less than \$200 million, if my memory serves me correctly - maybe a little over; maybe a little under - worth of goods from Japan, compared with our over a billion. That's six countries together. Because the countries of Europe - most of them - have not recognized Japan as an equal partner under the general agreement on tariffs and trade - the GAT - the International Trade Organization.

They have invoked Article 35 which says that any newcomers in this country club of ours we don't have to give full equal treatment to. Thus, new members are second-class citizens, so to speak. We have accepted Japan as a full-fledged partner ~~as a~~ contracting party under the GAT.

One of the intentions of the Administration if they get the power under the Trade Expansion Bill, in negotiations with the European Economic Community, is going to be to put the heat on Europe to accept more Japanese goods by insisting that whatever they give us ~~in the way of~~ concessions in exchange for the concessions we give them, they will automatically extend to other countries, and insist that that includes Japan. And I think the Administration means it when they say they'll do that if they get this power.

Now, we shouldn't say that Europe should take all the Japanese goods; of course not; we have to take our share too. And there are formulas that we could evolve; I think the President's bill is weak in this respect; I proposed it in this pamphlet along with adjustment assistance and these other things I am talking about; and that

is, some special treatment for Japan by way of encouragement for some of their manufactured goods within limits. I should think that we ought to encourage Japan to send us things like typewriters, let's say; maybe automobiles; things which involve a large amount of advertising to sell, and a lot of servicing over here to sell. I think we could stand some Japanese typewriters in this market. Typewriters are free of duty; there is no tariff upon them. But there could be some encouragement made by assuring the Japanese that on a certain list of products - manufactured goods - that we will not impose any restrictions as long as the imports don't exceed a certain figure. But that figure should be high enough to be expansionary to trade and not contracting.

At the moment we have an international textile agreement which makes me worry along this line. I'm afraid that the international agreement route might result willy-nilly in increased restrictionism rather than expansionism. It could, however, be used the other way. It could be used as a device for liberalizing trade and that was what I intended in that monograph; that we should liberalize trade with Japan via this route, because there is bound to be tremendous opposition to Japanese goods that compete solely on a price basis. What I'd like to see done would be the encouragement of goods that would compete on some basis other than merely price competition - on service, on serviceability, and on general reputation of quality. The Japanese, as you know, can turn out quality goods as well as junk. They turn out like we do, both quality goods and junk.

Now, then, that leads us back again to the EEC, and I want to close on that note in about ten more minutes. I want to discuss the European Economic Community

and its effect upon the United States. I've skirted around this subject; now I want to come head on at it. I said before that the United States has been encouraging the political and economic integration of Europe, and I think that's the correct policy. After Europe did recover economically and the Marshall Plan was no longer necessary, and not only recovered, but Europe attained a degree of economic efficiency and productivity far beyond anybody's expectations until now Europe is growing about twice as fast as we are, it has transformed its balance of payments deficit into a balance of payments surplus which means, of course, that we are on the other end of the stick; we have experienced the reverse with a balance of payments deficit - whereas we used to have a surplus; I understand you had a good lecture on that yesterday, so I'll not repeat what was told to you, but the upshot of the whole darn thing is that we're losing gold. We're scared stiff because we're losing gold.

I'll just make one bold statement here in the hope that you may ask me some questions about it, and I'll say that there's very little connection between the loss of gold and the balance of payments deficit. That ought to be enough to shock you for the moment, and I'll just drop it at that point.

But the European Economic Community is growing at 6.4% and we're growing about 3%. People are holding up their hands in horror and saying, "Look, we're going asleep here in America; we're not growing so fast." I don't think I've grown an inch in the last ten years - upward. My daughter, though, in the last ten years - she's now 16 - has grown quite a lot, percentage-wise. I hope she doesn't continue at that rate of growth forever. Otherwise, she's going to be as big as the Washington Monument. No. Everywhere in nature we must expect sooner or later

that there is going to be a plateau reached in growth.

The United States is the richest country that the world has ever seen. Gentlemen, we have arrived. Our gross national product per capita in constant dollars is about \$2,500 per person. The gross national product of Western Europe, the EEC countries, is not exactly comparable, but close. It's less than a thousand dollars per capita. Now, they're growing. They're going to catch up with us. We hope they do. In the period 1953 to 1960 when our rate of growth was much lower than that of Western Europe the absolute increase in dollars of gross national product grew in favor of the United States. In other words, there were more dollars to go around than there were in Europe in that period. Although on a per capita basis that was offset by the population growth. So, it came out pretty close to even.

The important thing is not rate of economic growth. We have acquired a new generation of economists who use a mumbo-jumbo of mathematics to try to confuse the issue; it makes it sound more esoteric; it makes it sound more scientific; more unintelligible and therefore it enhances their own prestige. If you want to increase the gross national product of the United States I could do it very simply; very easily. I'm saying this to show you that the gross national product is a fuzzy term. All you'd have to do is to say that you're not allowed to mow your own lawn; that your neighbor will have to mow your lawn; you engage him and he engages you at \$10 a throw. And the same with your washing machine and your wife and your maid; you're not allowed to do your own wash; you'll take in your neighbor's wash and they'll take in your wash, and you pay each other in money. Do you see how

that would increase the gross national product?

The gross national product is simply the sum total of all the money paid out for goods and services. If we had a big snow-storm in the City of Washington and we had to call out everybody and even use the Army trucks to move the snow, that will increase the gross national product because it will throw more obstacles into the path of want satisfactions. Gross national product is a phony to start with, but it's the best thing we have to work with. Therefore, we use it.

The important thing in the world today as far as we are concerned is that we should not go to sleep industrially. When I drive down here through Southwest Washington, struggling to get here, I am convinced that we are not asleep industrially. I couldn't get through. Everybody is building something. This is economic development. Economic development, gentlemen, means that you and I are not going to be comfortable for the rest of our lifetime. It means that there are going to be bull-dozers in front of us all the time. Everything is going to be confused because we're getting ready; we're building; we're increasing our economic development for posterity. Has it ever occurred to you that we'll never catch up?

Maybe the important thing for us Americans is not to put the emphasis on going forward, whatever that might mean, or on economic growth. Maybe the important thing is that we should learn to live with the capacity that we have; learn to solve our problems the hard way, not the easy way. Believe me, if I were a politician I'd talk about development too; that's the easy way to solve your problems. As long as there is expansion a dynamic economy with a growing population and more mouths to be fed, it's easy to solve your problems. We have plenty of people in

the United States - 180 million people are plenty for this country.

We should learn to stabilize our economy and enable it to adjust in such a way that we will enhance our well-being of existence. We should concentrate on the quality of our gross national product; not the quantity. We need better schools. We need better hospitals. We need a better ability to live. Let's keep our eye on the main ball. But we have gotten ourselves so deluded by the hypnosis that our rate of growth isn't high enough, that we think we're failing. Economically we're not failing. Economically we're doing an excellent job. Politically and internationally I am afraid that we are exhibiting the characteristics that we always have, of the elephant; I don't mean Republican versus Democrat here; I mean a large, slow-moving animal; let's say a mammoth or a dinosaur. We have tremendous power once we slap our tail, but up here we don't use the bean. We are forced.

How is it this government in 1940 with the National Defense Commission, after Roosevelt had declared war, but the Congress hadn't; there was a period of a year in there. We in the National Defense Advisory Commission were trying our damndest to get the Pentagon to move, to get industry to move, to prepare for war. From the military people we got the answer, "Where's the war going to be?" We have to give you a bill of particulars. We said, "Everywhere." And the industrialists wouldn't move. There were all sorts of orders issued by Stettinius and the White House, about wartime¹ and defense production, which were to no avail. I know I was working on airplanes at the time - plywood for airplanes. You couldn't get anybody interested.

Then came December 7, 1941, and boy, you didn't need any order; the Defense

Commission wasn't necessary anymore; everybody was out working. That's what is happening in Europe today. An inspiration has taken hold psychologically. There is no statistical reason for what's happening. The Europeans have become convinced that no longer can they afford the luxury of individual nation-states. No longer can they afford Franco-German rivalry. Adenauer and De Gaulle are working together, thereby surprising the rest of the world and getting us scared. They have the vision that a strong Europe and identification of their own selves as individuals, as Europeans rather than as Germans, or Italians, or what-not - and I'm not talking about every European; I'm talking about the leadership - people like Monier, people like Adenauer, people like Marjelain; the people who are really leading this movement with the idea of an integrated Europe, outward-looking, hoping that they are going to be able to negotiate with other countries and eventually have pretty much of a lower tariff system for the whole world. That is their big vision. But their immediate vision is that they themselves should work together.

People who have been in Europe - and I'm going over myself in a few weeks to look for myself a little bit - but people who have just come back have told me that this is outstanding wherever they went. France particularly; that they're working hard; they're doing the job because they want to do it. They're not talking about a 35-hour week. They're not talking about more social security.

The trouble is, if there is any trouble, is that we in America may be too enamored of the philosophy that the state owes us a living. That could be. Now, I don't want to identify myself as a reactionary who is opposed to social security, because I'm not. But why is it when we try to do something as we did with rationing during

the war, that the problem of enforcement becomes so difficult? That so many people are chiseling. I know that during the war I tried to obey the food coupon rules and all the rest. My friends and neighbors were violating it all over the place; bootleg coupons, bootleg gasoline; in Canada and England they didn't have that trouble. There is something about a big country with 180 million people that seems to facilitate the idea that "I'm going to get mine." We don't seem to have the cohesiveness of a smaller country.

Now, I don't think that we Americans are inferior. I think we're as good as any other people; in fact, I think we're a lot better. But I do think we need a more vivid sense that the nation is important. To repeat what the President said, "Think not what your country can do for you, but what you can do for your country." It sounds hackneyed, sure it does. But it's true.

Foreign trade is a very important part of foreign policy, and we have to elevate our sights above the perpetuation of existing lines of production and encourage the idea that people, perhaps ought to adjust from time to time from things that they can't do well into other things that they can do well. That's why I said before that the trade adjustment part is so important, because it means that the government instead of opposing change, under this philosophy will try to facilitate change. In 1926 - '33 and '34, when we embarked on agricultural protectionism I wonder what would have happened to subsequent history if, instead of doing that, we had tried to adjust people out of agriculture. Of course, that was a depression period and it would have been a hellishly difficult thing to do.

If you lived up on the moon and looked down upon the earth and saw all these

machines substituting for people, you'd say "How lucky those earth men are. Look, with a few hours of work they can get all the goods they had before with a double amount of effort. How lucky they are." That's as long as you're on the moon. As you come down from the moon and surface down to earth you'd realize that the problems of adjustment are not as simple as they seemed to be. But gentlemen, we're never going to solve those problems of adjustment unless we're willing to try. And that's what we're not willing to do as a people.

QUESTION: Under this new bill you have this adjustment provision for the wage earners. What type of adjustment provision is there for the share-holders and the companies themselves?

DR. PIQUET: I left a big hole, didn't I? I didn't mean to do that. There are equal provisions for them in the way of easy loans from the Small Business Administration; technical assistance; and these loans are long-term loans. That is, they are very easy terms. The intent is to help capital to adjust the same as you will help labor to adjust. The details are in the bill. I might say if you want to study this bill you may want to get some copies of it. It's called HR-11970.

QUESTION: Dr. Piquet, I wonder if you would amplify on what you said about the relationship or the lack of relationship between the gold-flow and the balance of payments deficit.

DR. PIQUET: How much time can I have on the question? I could amplify on that at great length, but I'll try to keep it brief. The United States dollar has become one of the two main currency standards of the world, the pound sterling being

the other - of the Free World. It used to be in the old days when we were on the gold standard, that whenever the balance of payments got out of balance, in other words, when there was a deficit, that gold would move, because currencies were freely convertible into gold at fixed points. And whenever they varied a little bit by the cost of shipping gold, gold would be shipped. But essential to that operational philosophy was that as gold came into a country it would cause prices in that country to rise because it increased the money base. And the country that lost the gold would tend to become deflationary; prices there would tend to go down - not all prices, but certain prices - with the result that there would be an absorption by the home economy of the movement of gold which brought about equality of price levels throughout the world.

Today we're not on the gold standard basis. Gold is not freely payable out on currencies except for the dollar, that's the only one. So that, today countries insulate themselves against the effect of loss or acquisition of gold, trying to keep their prices high instead of low. Every country avoids like the plague a deflationary effect upon the economy because it aggravates unemployment, and therefore we are following principles almost everywhere and policies of full employment. We are insulating our economies against each other. We no longer have a workable self-regulating international payments mechanism.

The United States, as a result of two world wars, came to acquire almost 70% of all the monetary gold in the world. That is now down to a little over 40%, a much healthier situation; we had too much gold before. But meanwhile, throughout the period from 1950 when we first experienced a deficit in the balance of payments,

foreigners have been building up dollar balances in our New York banks. Those dollar balances today are just about equal at \$19 to \$20 billion dollars, to our total gold reserve. It's as though a banker now has deposits outstanding equal to the amount of reserves that he has - 100% - which is a pretty healthy situation, provided they don't all draw the gold. And they are not all going to draw the gold.

If you know your British cousins - and I think I know them pretty well - they are not going to wreck the dollar. Why? Because they have big deposits in dollars and it's to their interest to preserve the value of the dollar. That's true of all of Western Europe. They have been trying, however, to replenish their gold reserves. In 1958 when we lost a lot of gold, the British, recognizing our hysteria, began sending some of the gold back to preserve the dollar.

The balance of payments today is pretty close in balance if it were not for one fact, and that is the fact of short-term capital outflow. Now, short-term capital outflows has been interpreted by the Administration, including the Department of Commerce, as being synonymous with dollars going out of the country under the errors and omission item. As long as money goes out of the country for investment it is readily identifiable, or for merchandise trade or anything else. Then, there is a big errors and omission item including short-term capital investment. Interest rates differ here and abroad. And the Administration interpreted the big outflow of short-term capital in 1960 as being due to the fact that interest rates abroad were higher than here, which is only part of the explanation.

There is another more important part of the explanation that has not been faced; and where you have two plausible answers to a phenomenon maybe you

should explore both and not just one. In my opinion what is happening is, that dollars are flowing out of this country from time to time whenever there is reason, psychologically, for people here and abroad to believe that the United States is going to devalue the dollar in terms of gold. That is, raise the price of gold. There are forces in this country doing their best to bring that about; the gold-mining interests themselves would not be averse to having the gold price raised. And a big torrent of propaganda has been released by the mining interests along that line. If we raise the price of gold the Russians wouldn't oppose it too much either; neither would the South Afrikaners; neither would the Canadians. The gold-producing interests, of course, want this to happen.

The United States should not devalue the dollar in terms of gold. The United States should keep the dollar equal to gold at its present content, equal to \$35 an ounce. I'm saying that arbitrarily. We need more stability - more psychological stability.

But why are the speculators making such a profit out of this? There are Euro dollars all over Europe today - nobody knows quite how much; well over a billion; maybe \$2 billion - dollars in Europe being circulated among the banks in Europe, being loaned out. Now, regardless of any Presidential order that Americans can't own gold, it is quite possible if you want to own gold and you're clever enough to do it, it's possible to do it. It's not the most patriotic thing you could do, but you could do it. Certainly, the Europeans can do it. You can set up in a bank in Switzerland a numbered account; nobody knows who owns it; nobody. It's a part of the bank-client relationship.

My opinion is that there is a lot of American money over there. Doing what? Buying gold; buying it on margin; buying ten times the amount of gold for the amount of dollars that go out. That isn't short-term capital movement; that's dollars going out of the country; not for interest return; that's peanuts. Those dollars, I think, are going out of the country to be invested in gold to be hoarded, to be reconverted back into dollars if we raise the price of gold, say, to \$70 an ounce. The interest cost of doing that would be minimal compared to what you'd make. But you say, "Why do they do this; they might lose." They can't lose; that's the point. Because the United States not only today is paying gold to back dollars at \$35 an ounce; it's also paying dollars at \$35 an ounce to support the gold market. Why should we do that? The answer is, we shouldn't. All we have to do is tell the world that we will no longer guarantee to you that we will buy gold at \$35 an ounce. We may or we may not, but that's our business; we'll buy it at the market price. There is nothing in the law that makes us do it; it's simply a practice. Because, we are confused in simple mathematics. We seem to think that because the dollar must be backed by \$35 worth of gold that somehow or other the gold must be backed somehow or other by \$35 worth of dollars. They are two different problems.

Now, as long as there is a reason to believe anywhere in the world that the dollar is going to be devalued vis-a-vis gold, that is, that we are going to raise the price of gold, the speculators are going to buy gold. And they can't lose now because they can always turn back the gold and get the same number of dollars that they gave. We have put a floor under speculation. That's not the way to stop speculation. The way to stop speculation is to pull the rug out and say, "Boys, if you

want to speculate, you may lose." That would tend to diminish it. On top of that we can do what certain European economists have suggested, if we really mean we are not going to devalue the dollar in terms of gold, issue gold certificates for all these accounts, for so many ounces of gold. These two things, I think, would tend to stop the speculation and tend to stop the outflow of gold.

Our balance of payments deficit problem that we talk about so glibly is really a gold problem.

QUESTION: Why is it so important for our government to insist that England enter the EEC?

DR. PIQUET: Politically, I think it's fairly obvious, isn't it? That is, politically, a strong Western Europe is to our interest. And if the United Kingdom joins the EEC, so the reasoning goes, you'd have a stronger Western Europe less inclined to be monopolistically oriented and more inclined to be outward-looking. I personally question whether we should have put all of our eggs in this political basket, and say that we'll allow the President to remove the tariffs on certain products if the U. K. joins. I neglected to say in my lecture that if the United Kingdom does not join the EEC, that that 80% clause on the power to remove duties is almost inapplicable. It only applies if the United Kingdom joins.

I think it would have been far better had we pursued that one along the lines of diplomacy and said that we will give the President the power to remove duties vis-a-vis the EEC or any other developed country including Canada, if he thinks it's in the national interest. But, of course, you'd never get that through Congress. I recognized that in the monograph when I proposed, therefore, giving the President

the full power of trade leadership - leadership - but not the power of final decision, but give the Congress the power to over-rule the President on a package deal by a 2/3 vote. That's quite different from saying that Congress would have to approve positively any trade agreement that would step on their constituents' toes. Here they would have to oppose the President in a bold stroke of international policy and it would give the Congressmen a political way out so they wouldn't have to take a stand against him. But I think that would be a much better way of doing it. That's why I happen to think that the idea in that pamphlet is a little bit better than the Trade Expansion Bill. But that's normal prejudice.

QUESTION: One of the cornerstones of our country has been independence from the very beginning - freedom.

DR. PIQUET: It still is, I hope.

QUESTION: If we go to this free trade policy is it possible to envision where we would become very dependent, say, on Australia, for all of our foodstuffs? Is it dangerous to become dependent upon some outsiders in a critical situation?

DR. PIQUET: That's a very good question. And if we were talking about a country like Santo Domingo - or, the Dominican Republic, I mean - or the coffee republics, the banana republics, or Guinea with its bauxite, I would say that would be a real worry. A country that is highly specialized in one or two products, particularly if they're raw materials, would be very vulnerable by gearing their economies in. But they don't have much choice. These countries that are small and dependent on one product, particularly raw materials, have to be dependent upon other countries regardless of trade policies. Therefore, it's better for them if

they can get into these markets.

But the United States, as I said before, is the largest country in the world; it's the most diversified economy in the world. If we were to go on a free trade basis the industries that would feel the pinch would be mostly - this is unfortunate, but true - those industries that we today call small business. Now, there the crocodile tears flow freely too, when you talk about hurting small business. And I must say that I myself am very much concerned about this because I feel that bigness is one of our big problems. I'd like to see small business perpetuated if it can be done efficiently.

Now, I don't mean to say that if we were on a free trade basis that all small business would be hurt. Because some of our most efficient small businesses today are doing a lot of exporting, as in the case of electronics where they have great skill and high specialization. The ones that would be hurt, for the most part, would be small businesses. If the textile business in the United States - I don't mean all textiles, because they wouldn't all go out; when it comes to cotton broadcloths we're more efficient than Japan; it's mostly specialty items we're talking about - cotton velveteens, women's gloves, shirts, sweaters and things like that; that's where the competition is hitting. I doubt that it would have much effect on the economy.

The United States is so big. Our foreign trade, even though it's the largest country in the world, exports about \$20 billion and imports almost \$15 billion, more than any country in the world has ever exported or imported before. It's still very small compared with our - and I'll use the words - gross national product; it's very small compared with our total output. Foreign trade to us is not vital in the

aggregate. That's what I was trying to say in the course of my discussion when I said if we went on a free trade basis it would be like an auto hitting a little pebble; it wouldn't effect us very greatly as an economy. Certain areas of the country would be seriously effected. The United States can produce many, many things much more efficiently than any other country. It doesn't export all of them. It exports only the ones that it can sell abroad most easily. We've never been export-minded. We've been trying, recently, to become more export-minded.

So, I think the answer to your problem is that the one country in the Free World today that could afford free trade, that would not be dependent upon the rest of the world, would be the United States. However, with the very important footnote; that in those cases where domestic production is essential to national security - national defense, in a military sense, we should always give that paramount importance. For instance, take synthetic rubber. In 1945 I was the Secretary of the Committee that determined the rubber policy of this country. We decided then and there that free traders were very much in favor of this, but the United States could never again afford to be dependent upon sources of rubber far away, and that we would keep our synthetic rubber plants in business at a certain plateau.

Well, the law wasn't necessary because today synthetic rubber is better in many lines than the natural rubber. So, it's working out all right. But I'll be darned if I can see why cotton textiles are important to the national security; or lead pencils, or any other of a long list of products that have been brought up on the basis of national security. In fact, the national security amendment to the bill now is a monstrosity because what it says is that if any industry is hard hit, that that

is to be taken as impairing the national security. In other words, you create another tariff commission alongside The Tariff Commission, in the form of the Office of Emergency Planning. So, if you can't get it through the Tariff Commission you can always try the National Security. It has become a subterfuge for action.

Now, when you talk about keeping out residual fuel oil, which the National Security Amendment has made possible on the basis of national defense, you're getting up on pretty thin logic. From the point of view of petroleum the national security interest is that our fleet, our planes, to the extent that we continue to use gasoline and petroleum in the future be available everywhere in the world where we might need it, and not necessarily from the oilfields of West Virginia.

QUESTION: Mr. Piquet, the Trade Expansion Bill, if passed, would authorize the President to enter into negotiations for the reduction and elimination of tariffs largely with the Common Market countries in mind. In your opinion, how eager will the Common Market countries be to enter into such reciprocal arrangements, particularly in view of the proposed retention of the Escape Clause provisions and their attitude in the cases of the past?

DR. PIQUET: You people ask very good questions. I can't answer them quickly. You're from the State Department; may I amend your question a little bit? To what extent will the EEC and the United States be interested in doing this? I think personally that the European Economic Community will be more enthusiastic than we are.

President Kennedy is a bold, young President. I have great admiration for his

ability. I used to work with him and his staff when he was in the Senate and in the House. President Kennedy is no miracle man. Neither was Eisenhower. Neither were Truman or Roosevelt. You can move only as fast as the country will let you move. It's like any other leadership. He has already demonstrated that he has had to compromise. He wanted to get the bill through. He has had to buy off the cotton textile industry. He thought he bought them off with the cotton textile agreement; now Bob Stevens, your former Secretary of the Army, in the cotton industry was before the Finance Committee the other day, crying that this wasn't adequate; they need more protection.

Carpets, rugs and glass duties have been raised in order to pacify the domestic producers, and in response to which the European Economic Community by Belgian leadership where the carpets, rugs and glass come from, retaliated against us by imposing greater barriers against some of our chemical items. We're going to do the same thing in lumber. The President has already announced, to pacify the lumber interests, that we're going to ask Canada to impose voluntary export quotas on lumber to the United States; another buy-off.

We're going to do it on shoes. It's not going to be called shoes. But Senator Muskey has introduced an amendment which is going to be included in the bill, I'm pretty sure, which will give the President extended power to enter into international agreements not only on textiles and shoes, but on any item - orderly marketing.

The forces of protectionism in this country and the forces of protectionism in other parts of the world are tremendous. But they're greater here than they are in Europe at the moment. The leaders of Europe happen, fortunately, from our point

of view as well as their own, to be well-trained economists. I happen to know some of them personally, like Robert Monshalan. They are sincere people. They want to bring about a situation in which the European Economic Community will negotiate with the United States and will tear down reciprocally their barriers.

Now, there are lots of flies in this ointment. In Europe you've got your agricultural protectionists just like you have here. The logic would be that as the years go on that Europe should give up its agricultural protectionism just as England did in 1846, because industry will be bursting at the seams with labor shortages; there is a place for labor to go. That would be the logic. Politically, will they allow them to do it? Politically, how far are we willing to go?

But I know this much; if something like this bill doesn't go through; if the President is not given the power to act; there will not be action. If the President is delegated the power to act there is a 50-50 chance there might be action. But let's not think that because the bill goes through, even in a liberal form, that it's self-enforcing. Legislation is only permissive; not mandatory. And the President isn't going to move any faster than he can move politically. I hope that his sights will be high enough to enable him to take chances. I hope that he's more interested in this than in reelection or in the election of Caroline as President someday. I hope that maybe we might find in a second term of the Presidency - you won't get much in the first term of any President, because his interests and his sights are set on 1964, necessarily.

If any action occurs it's going to be from '64 to '68; that's when the action will come. And I hope by that time he doesn't become such an old man that he's tired,

disillusioned; I hope he still has the vigor and the courage to still do things in the national interest. But the answer to your question is, I think the EEC is more likely to be willing to negotiate than we will be when the chips are down. And that's what I'm afraid of.

QUESTION: During the last few days we have been trying to understand some of the other speakers in their reasons as to why economic growth is necessary and how it can be brought about. Would you please explain what I understand your opinion to be, that economic growth may not be so important after all, and that their theories of how to bring it about may not be completely correct?

DR. PIQUET: Well, you see, I'm an old fogey. I got my Doctor's Degree in 1930. I'm not interested in promotion anymore; I'm interested in retirement now. A healthy economic growth, in the sense that we want to increase our capacity to produce goods to keep step with the growing population is, of course, essential. We have had no trouble ever, in doing that. When these boys talk about economic growth they talk about giving yourself a shot in the arm so that you increase your per capita output.

Now, in a case like Ghana, Guinea, Nigeria, or the West Indian Republic, or Canada, that is important. Those countries are underdeveloped in terms of per capita income; not so much Canada, but these other countries are. To them, it's vital, and it's a problem of development which is not pertinent here. We are developed. Now, there's no harm in growing, but I deplore the philosophy that says we're going to shoot ourselves in the arm with a hypodermic every once in awhile to keep ourselves growing. I wonder, why is it necessary?

A friend of mine just got back from Germany. He's a German. He lectures in German. He used to be connected with this school - Dr. Mann - Fritz Carl Mann. He told me he was very much disturbed by what he found in Germany. It was the first time he said it; that Erhard's miracle hasn't been such a miracle after all; that that sudden shot in the arm that they got by sudden liberation, of freedom and encouragement, gave them luxury goods - he called it champagne and caviar. It gave them the feeling of luxury goods. And now there has been a slight curtailment of these luxuries and they're complaining.

You give your son - if you have a teen-aged son or daughter - I have several of them; you give them something like a new automobile and then try to tell them that you can't get them a new one after a few years to replace the old one; it can't be done. Once you've done it, gentlemen, you've done it. And I think the same thing here; artificial stimulation in terms of the hypodermic, of trying to force something, will pop up somewhere else in terms of shortages, in terms of dissatisfaction. The best economic growth is that which rises out of equilibrium, out of stability. Because, the human mind has not yet demonstrated in the economic sphere that it knows enough about economic adjustments, economic relationships, to be able to plan intelligently in a big democracy like ours.

This is exactly the opposite of the way I would have lectured in 1934 when I came here, exactly the opposite. I came down here an enthusiastic New Dealer; that the way to do this was to let the government decide these things. I've seen the government in operation in the last 20-odd years, and I just don't have the confidence in the ability of mankind to plan and direct the economy. Therefore, it

seems to me that a better way of doing this, as I said before, would be to roll with the punches. Try to discover all the time what the forces of economic adjustment are if they are left alone. I'm not talking about laissez faire. The old laissez faire "hands off" philosophy of Adam Smith is dead and should stay dead. The government should interfere more with the economy. But the question is, how to interfere? Let's interfere in a homeopathic way instead of an allopathic way. Let's not try to combat the disease by preventing the adjustment, but let's strengthen the body politic and the body economic to be able to adjust and resist.

I suppose if you were to implement these thoughts what you'd have to do would be to have something like an economic Supreme Court beyond the touch of political influence that would have no powers of control over anything; not authority to direct anything, but simply have the responsibility to do what an enlarged, competent, well-trained, balanced Council of Economic Advisors ought to be doing, I think, but, of course, can't be doing under the present framework, or just simply trying to study what the forces of adjustment should be.

Take the agricultural problem. It doesn't make sense to me with our expanding agricultural productivity, greater than any country in the world has ever seen, and all done within the last 15 years; the figures are unbelievable when you look at them; the few people it takes in the United States to feed this big country of ours with surpluses all over the place. I wonder if, instead of paying subsidies to agriculture we shouldn't have thought in terms of having fewer farmers, cutting off the inefficient small farming, concentrating on the efficiency of agriculture, and doing something about those people who are displaced; and I don't mean shoot them.

I would like to make a study someday of our agricultural program since 1934 or '33, to see whether we have paid more in terms of subsidies - and, we're paying over a billion dollars a year right now, simply to take care of our surplus wheat. We can't even give it away. We're trying our hardest under PL 480; it's not easy to give it away even. We're spending a billion dollars a year for transportation and storage charges on this surplus wheat alone. Of course, that's the biggest item in our surplus list, I'll admit. If we do this every year I wonder how many billions of dollars it would have taken back in the late '20s and early '30s if we had simply said, "We'll pension you; we'll take care of you for the rest of your life." I have a feeling it would have been cheaper; I don't know.

CAPTAIN TEEL: Dr. Piquet, I see our time is up. On behalf of the Commandant and the college I'd like to thank you for a very fine presentation.