DIVISION OF INTERNATIONAL FINANCE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Date 6/20/62

To Chairman Martin

From J. H. Furth

MESSAGE:

Attached Minutes of the NAC:

Opening statement of Mr. Jacobsson on Consultations with the United States, and statements of the NAC agencies. Mr. Martin's statement on page 3, next to last paragraph.

Attachment.

JHF

FOR NATIONAL ADVISORY COUNCIL
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NATIONAL ADVISORY COUNCIL

ON

INTERNATIONAL MONETARY AND FINANCIAL PROBLEMS

Minutes
Meeting 62-1
March 5, 1962

Secretary Douglas Dillon, (Chairman), Treasury Department
Mr. Robert V. Roosa
Mr. Robert H. Knight
Mr. J. Dewey Daane
Mr. Charles R. Harley

Mr. Edwin M. Martin, Department of State
Mr. Mortimer D. Goldstein

Mr. Edward Gudeman, Department of Commerce
Mr. Clarence I. Blau
Mr. William Doering
Mr. Edgar S. Dunn
Mr. Eugene Birnbaum

Mr. William McChesney Martin, Board of Governors, Federal Reserve System
Mr. Ralph A. Young

Mr. Harold F. Linder, Export-Import Bank
Mr. Seymour Pollack

Mr. Frank A. Southard, Jr., International Monetary Fund

Mr. James Tobin, Council of Economic Advisers

Mr. Irving J. Lewis, Bureau of the Budget
Mr. Davy McCall

Guests:
Mr. Per Jacobsson, Managing Director, International Monetary Fund
Mr. Edgar Jones
Mr. Charles F. Schwartz
Mr. Carl P. Blackwell
Mr. Francis d'A. Collings

Mr. George H. Willis, Secretary
Mr. Fred Springborn

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Minutes
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1. International Monetary Fund Article VIII Consultations with the United States

The Chairman welcomed the Managing Director of the International Monetary Fund and the Fund Mission. The Managing Director made an opening statement (attached).

The Chairman said he agreed with the overall analysis of the Managing Director and that there should be no conflict between economic growth and the achievement of balance-of-payments equilibrium. With respect to the current economic situation the Chairman noted that for roughly a year the U.S. economy had been in a phase of reasonably rapid, but orderly, advance; industrial production was 12% above a year ago and the GNP 10% above the low of the recent recession. Rising government spending, related in good part to defense, had helped speed recovery but business investment, housing and consumer outlays had all contributed to the advance. There were no signs of excesses that could breed either an inflationary boom or an early downturn: inventory accumulation had been rather moderate; capital spending was low but rising and could increase more; and no consumer credit boom had arisen and the rate of savings had increased. He was pleased that these gains were achieved at virtually stable prices, made possible by exceptionally rapid gains in productivity. With respect to the remainder of 1962 and 1963 the Chairman said that the projected increase in GNP did not appear to be out of line with previous recoveries, but that in 1963, as more of the excess capacity of the economy is absorbed, the danger of price increases may become greater.

With respect to fiscal and monetary developments the Chairman observed that there had been a carefully coordinated blend of fiscal, monetary and debt management policies. As a result, borrowing costs had been stable, credit had been ample and liquidity had increased to help support business activity. The budgetary deficit for fiscal 1962--currently estimated at $7 billion--did not appear to be inappropriate in view of the slack in the economy, but the U.S. was aiming for budgetary balance next year. He noted that credit availability had been maintained without driving short-term rates to the very low levels of earlier recessions, primarily for balance-of-payments reasons.

The Chairman said that the major problems were unemployment, the growth rate, possibility of future price pressures and the balance of payments. The fundamental strategy was to create more favorable environment for investment and to spur productivity, while at the same time exercising appropriate restraints on price and wage policies and, through the Federal budget, to assure that the benefits of rising productivity were not lost in price increases and to assure that savings were available for private investment. He outlined the changes in the tax system proposed to the Congress and the reforms made in depreciation allowances. A more general tax reform would be introduced to the Congress later, and a number of other measures were under study.

The Chairman then reviewed the balance-of-payments situation and the methods of statistical presentation of the balance of payments. He indicated that the Department of Commerce, which was responsible for balance-of-payments statistics, would shortly be publishing a somewhat different presentation of these data together with the usual presentation and invited the Fund mission to comment on these presentations. With respect to the balance-of-payments results during 1961, the Chairman said that the basic deficit amounted to about $600 million, short-term capital accounted for an additional $1.2 billion and that errors and omissions for an additional $600 million--together resulting in an overall deficit of $2.5 billion. He noted that the improvement recorded in 1961 resulted in large part from lower imports and substantially greater exports; he noted also that the U.S. had received about $700 million in advance debt repayments during the year. He explained that the deficit was financed to a larger extent in 1961 by a higher proportion of dollar holdings remaining in private hands and in non-monetary international institutions and that the gold loss was half that during 1960. The Chairman believed the U.S. to be competitive in world trade and that this was demonstrated by the surplus in goods and services not financed by U.S. Government grants and capital, which increased from $4.5 billion to $5.0 billion.

The Chairman then reviewed some of the measures which had been adopted to reduce public expenditures abroad. He noted that all U.S. Government overseas expenditures were kept under continuing review; that the Department of Defense was seeking to reduce the proportion of its procurement abroad; and that the AID was placing more stress on financing foreign currency costs of projects and programs in developing countries and that procurement from other industrialized countries was generally prohibited. He referred to the problem of local-cost financing of development projects and said that the U.S. was seeking to reduce this form of assistance and to encourage other industrialized countries in positions of payments surplus to provide more economic aid. He observed that legislation had been proposed to reduce special incentives to U.S. investment abroad, especially through the elimination of "tax havens," but that such measures would not inhibit the ability of American business to compete effectively abroad. He then listed some of the means by which the U.S. was seeking to increase international receipts, including the new trade legislation proposed and the military expenditure offsets negotiated with Germany. He noted that under these arrangements the U.S. expenditures in Germany will be offset over the next two years. The Chairman also commented briefly on the progress being made in obtaining the necessary legislation to permit the U.S. to participate in the special borrowing arrangements of the IMF.

The Chairman then described the balance-of-payments outlook for 1962. In addition to the payments under the arrangements with Germany described earlier, debt prepayments by other countries, possibly including France, were expected to be larger than last year. Imports may be expected to increase by $1.5 - 1.75 billion while exports may increase by about $1.0 billion. The basic deficit might be larger than last year, amounting to between $0.6 billion and $1.5 billion, and the size of the overall balance would be influenced to an indeterminate extent by short-term capital movements.

The Commerce Department representative described the measures being taken to stimulate exports. He noted that since less than 4% of U.S. firms do an export business and exports account for less than 4% of GNP, there is a good opportunity to increase exports. He described the new responsibilities of Commercial Attaches in Embassies abroad, Trade Fairs, Trade Missions, the Trade Center in London and plans for other centers in Bangkok, Tokyo, Frankfurt and other cities, the establishment of travel bureaus overseas, the work of the Commerce Department field offices in the United States, the National Export Expansion Committees, and the numerous industry meetings held in the Department of Commerce. He also described the new program of awards to industries for excellence in export performance.

The President of the Export-Import Bank described the two new export credit programs, which, he said, provides the United States with facilities as good as those of other countries. Through an association with 57 of the largest private property insurance companies (FCIA) the Bank assumes the political risks and shares the credit risks of export credits. He said that only short-term credits were now being covered but plans were being made also to offer medium-term policies. He noted that in its first month of operations the Association received 347 applications and issued binders for $20 million which might represent seven or eight times this amount in actual exports - or more than the Bank had covered by its former export-credit program. He described also the credit arrangements on medium term now available to commercial banks under which the Export-Import Bank (a) agrees to guaranty later maturities against political and credit risks and earlier maturities against political risks only; or (b) agrees to finance the later maturities. The Bank was pleased that commercial banks generally prefer the first alternative. He noted also that the Bank had joined the Berne Union. With respect to project lending, he said that the Bank extended credits of about $700 million during 1961. He noted also that through the cooperation of the Department of Commerce and the Federal Reserve, the Export-Import Bank had been arranging meetings with smaller banks to discuss export credit arrangements.

The Chairman of the Board of Governors of the Federal Reserve System described the activities which had recently been resumed in foreign exchange operations. He said that these activities had been begun on a modest scale to intervene against speculative movements on the exchange markets in order to improve the workings of the international payments system. The Federal Reserve operations were conducted in cooperation with the Treasury Exchange Stabilization Fund.

The Managing Director of the Fund said that the discussions had indicated to him how varied the problems being faced by the U.S. were and that the U.S. had to be concerned with problems of world-wide scope. He stated also that he believed that the problems were well in hand.

Attachment: Opening Statement by IMF Managing Director

Council Mtg. 62-1

Article VIII Consultations with the United States

Opening Statement by the Managing Director
of the International Monetary Fund
on the 5th of March 1962

I.

For many reasons these Article VIII Consultations with the United States which begin today mark an important stage not only in the history of the Fund but also in a wider setting. I remember when, as a young secretary, I participated in the work of the Financial Committee of the League of Nations in its early days, some forty years ago. Then only the poor conquered countries--Austria, Hungary, and Bulgaria, and some others--agreed to appear before the Committee and have their affairs reviewed. These countries had in fact not much choice, but even countries like Poland and Roumania, though needing a stabilization program with a foreign loan, refused to do so. It was really only after the Second World War that distinct progress was made in this field of consultations, and in two different contexts.

Firstly, thanks to the Bretton Woods Conference, the first Article of Agreement of the International Monetary Fund declares that the purpose of the Fund is "to promote international monetary cooperation through a permanent institution which provides the machinery for consultation and collaboration on international monetary problems." Further on, Article XIV stipulates that after a lapse of five years, annual consultations should be held with countries that maintain restrictions on current transactions. These annual consultations began cautiously in 1952, for they were then pilot exercises in analysis and summation of individual country problems. They have, as you know, developed in quite a remarkable way. Confidence has grown on both sides, and the member governments have become anxious to hold the discussion in their own capitals so as to make it possible for their key policy-makers to attend.

The other context was in the framework of the O.E.E.C. (now the O.E.C.D.) and its Payments Union, emanations of the Marshall Plan. In this organization all the member countries became used to discussing their problems; and soon they, too, found it useful to do so.

This being the case, it is not surprising to find that the European countries, after they had made their currencies fully convertible, were eager to carry on with annual consultations, and I think it must be regarded as a matter of general satisfaction that it was agreed in 1960 that annual consultations should be arranged also with Article VIII countries. Naturally, the attitude of the United States is in this, as in other matters, of the greatest importance since what the United States does becomes respectable for any other country.

As you know, the consultations will, on our side, be conducted by Mr. Edgar Jones and his colleagues, Mr. Charles Schwartz and Mr. Carl Blackwell. I am glad to be here at this opening meeting, and I expect to be present also towards the end, and, in any case, at the final meeting. You will already have received the "List of Topics." It is, of course, always easier to ask questions than to answer them, but I am sure that here, as in other countries, we shall receive full and frank answers, and I am also sure that you expect frankness from our side.

I need not point out that these U.S. Consultations are especially important for the Fund and its member countries. The U.S. dollar is not only a "key currency," but a currency that maintains a special link to gold, since this country is the only one which is prepared not only to buy but to sell gold at stated prices. Consequently, it holds a crucial position in the world's monetary system with its present version of the "gold standard." This is one of the reasons not for less, but for more attention to the United States. It is particularly important that the role which the United States performs should be understood and supported both inside and outside this country.

We shall, I understand, have the advantage of hearing statements here today from U.S. representatives. Naturally, the conclusions to which we shall arrive as a result of these consultations will depend on these statements and on the other observations which will be made by the U.S. representatives. If today I make some preliminary remarks, I do so partly because I am not personally participating in the coming day-to-day consultations. But I want to make it clear that I regard these opening remarks of mine as subject to correction; it is perhaps precisely for that reason that I make them today, since mentioning them now gives time for corrections to be made in the course of the consultations.

In the summer of 1920, I worked with the then Acting Director of the Economic and Financial Section of the League of Nations, Mr. Walter Layton (now Lord Layton), on documents for the Financial Conference of the League, which was due to meet in Brussels that autumn. There were only scanty statistics but we made some daring estimates, and I remember Layton quoted to me a saying of Lord Bacon which he thought appropriate: "Truth emerges more easily from error than from confusion."

II.

The "List of Topics" begins with questions concerning the general economic situation and outlook; then leads on to matters of fiscal and credit policy; and, finally, comes to the question of the balance of payments. I think this is a logical and appropriate order because it serves to emphasize that the balance of payments' movements are very largely the consequence of internal developments and policies--seen, of course, in relation to developments and policies in other countries.

But having said this, I shall begin here today at the other end, namely, with the balance of payments, and will do so with reference to the very useful table on the United States Balance of International Payments, 1960/61, which appears on page 149 of the Annual Report of the Council of Economic Advisers. I am glad to see that this table presents the balance of payments in three different ways, each one of which is significant. (In the report, the figures for 1961 are preliminary, but the later figures now available do not differ much from these preliminary estimates.) The first column of the table gives the balance on the current account and of the unilateral transfers. This is the way in which the Europeans usually refer to the outcome of their balance of payments--excluding capital transfers but including grants.

Table 1. Current Account of U.S. Balance of Payments

	1950-57 Average	1958	1959	1960	1961
	(In billions of U.S. dollars)				
Current income					
Merchandise Exports	14.2	16.3	16.3	19.4	19.9
Merchandise Imports	11.3	13.0	15.3	14.7	14.5
Export surplus	2.9	3.3	1.0	4.7	5.4
Net income from services	2.0	2.4	2.3	2.3	2.8
Total income	4.9	5.7	3.3	7.0	8.2
Additional current outlay					
Military expenditure abroad	2.3	3.4	3.1	3.0	3.0
Net unilateral transfers (grants, etc.)	2.7	2.3	2.3	2.5	2.8
Additional current outlay	5.0	5.7	5.4	5.5	5.8
Balance on current account	-0.1	-0.1	-2.1	+1.5	+2.4

I agree with the Economic Advisers that the surplus in this account means that "the nation as a whole is earning more than it is spending in its relations with the rest of the world, and this 'saving' leads to an increase of the net assets of the country." You will see from the table that there was really only one year in which there was an appreciable deficit on current account, namely, the year 1959, and that the following two years show a growing surplus. Since the Europeans think in terms of their own practice, they often get an exaggerated idea of the U.S. imbalance when they are told about the over-all balance of payments deficit. It can be seen from this table that exports have stood up very well, and that imports were at their highest in 1959. That was the year of a deficit on current account; it was preceded by the largest budget deficit ($12.5 billion) and the most pronounced credit expansion. In the following year the budget was balanced and credit expansion curbed, and a current surplus reappeared as the expansion was slowed down here and continued to increase on the other side of the Atlantic. So, as in other countries, budget and fiscal policies in the United States have an important influence on the balance of payments, and this country is no exception to this general rule.

The next column shows the balance on basic account, which includes long-term capital transactions, that is, direct investments in

Table 2. Basic Account of U.S. Balance of Payments
(In billions of U.S. dollars)

	1950-57 Average	1958	1959	1960	1961
Balance of current account	-0.1	-0.1	-2.1	+1.5	+2.4
Net U.S. Government loans	-0.3	-1.0	-0.4	-1.1	-1.0
Net private long-term capital	-1.1	-2.5	-1.6	-2.4	-1.8
Net long-term capital	-1.4	-3.5	-2.0	-3.5	-2.8
Basic balance	-1.5	-3.6	-4.1	-2.0	-0.4

business enterprises abroad, private purchases of foreign securities, U.S. Government loans, and long-term investments by foreigners in the United States. The table given in the Report of the Council of Economic Advisers shows a deficit of $0.1 billion for 1961. I believe that the later figure, now available, is $0.4 billion, slightly higher but not very much so.

The amount of U.S. Government loans depends largely on the policy of the Administration, while the <u>net</u> outflow of private capital funds depends clearly on market forces. Among these forces, one important factor is cheaper production abroad (especially in the now widening European markets); others are higher interest yields and the position with regard to the supply of domestic capital in the United States' market, as compared with the supply in the European markets. There was a decline in the outflow of net private capital in 1961, as compared with the average for the three previous years, probably the result of a growing availability of capital in the European markets. We are of course very interested to hear what you can have to say about the prospects in this field.

Now I come to the over-all balance:

Table 3. Over-All Position of U.S. Balance of Payments
(In billions of U.S. dollars)

	1950-57 Average	1958	1959	1960	1961
Basic balance	-1.5	-3.6	-4.1	-2.0	-0.4
Net private U.S. short-term capital	-0.2	-0.3	-0.1	-1.3	-1.4
Errors and omissions	+0.4	+0.4	+0.5	-0.6	-0.6
Net flow of short-term funds	+0.2	+0.1	+0.4	-1.9	-2.0
Over-all balance	-1.3	-3.5	-3.7	-3.9	-2.4

I assume, as the Economic Advisers have done, that the item "Errors and omissions" will be mainly unrecorded capital movements--probably a good deal on short-term. We find that the outflow of short-term funds began really in 1960, i.e., after the European currencies had become convertible--and probably more important--after the monetary reserves of most of the

European countries had increased so much that their currencies could be regarded as safe. In these circumstances the question of remuneration will naturally play a great role, together with the relative supply of capital. Here, too, I think it is important that the liquidity on the markets of many countries on the Continent of Europe has increased quite markedly over the last year and interest rates have been declining. If I therefore may sum up, the balance of payments will depend on (i) budget and credit policies; (ii) and closely connected with (i), the availability of capital, which is not only the result of fiscal and credit policies but also of the flow of genuine savings in relation to demand; and (iii) relative cost and price levels.

These factors are of course inter-related, but I agree with the Economic Advisers that the price movements--and I would add, the cost movements--are at the heart of the matter. It becomes a question of the behavior of costs and prices in this country in relation to the behavior of costs and prices abroad.

May I say that I think the Economic Advisers have rendered a great service by their statements on the balance of payments and by setting out their views of what should be the appropriate price and wage movements. To a very great extent, I agree with them. They are right in stating that prices abroad have recently gone upward, while prices have on the whole been stable here in the United States, and the difference in cost movements is even more significant, but I do not think it can be taken for granted, considering the growing competition, that European cost and prices will continue to move at the same rate as over the last year.

The authorities in Europe are beginning to be concerned, and so is the public, and it is therefore possible that European price rises will have to slow down, and will do so especially as the boom becomes less intense. It seems to me that there is perhaps too little said about the fact that U.S. wages are already on the high side compared with European wages. I believe that close consideration should be given to a statement made by Dr. Holtrop, the President of the Nederlandsche Bank, as set out in the Annual Report of the Bank for 1959, when he said: "Countries with a balance of payments deficit must above all avoid demand inflation; the movement of labour costs resulting from changes in the level of wages and in general per capita productivity must in their case lag behind that in the surplus countries. These latter may be reasonably expected not to permit any demand deflation, and not to prevent the adjustment of wages to the permanent increase of per capita productivity." Dr. Holtrop thus recommends that in the surplus countries in Europe wages should be allowed to increase pari passu with the increase in productivity, but that in the deficit countries the increase should be not quite up to the rate of increase in the average trend of per capita productivity. I admit that this will be a difficult policy to get adopted, but there is now more understanding of the problems involved than ever before.

III.

I now turn to the question of economic growth. The Report of the Economic Advisers deals very fully with this subject. I personally have much sympathy with the view that there is a need to expand demand, but I would like to make certain observations, more fully than they do, on the subject of the appropriate price and cost behavior in such a situation.

The Economic Advisers say that "galloping inflation is profoundly disruptive of economic efficiency and growth"--and I agree. I also agree that, as they say, "creeping inflation has effects on the distribution of income, which are always capricious and often cruel, and may generate perverse changes in the structure of prices." In present circumstances, however, I simply do not believe that there can be either galloping or creeping inflation in this country. We must, I think, accept that prices in the present state of fierce competition are not likely to rise--and that we must adjust our policies accordingly. Here I must again emphasize that the observations I am making are open to correction, but as I said before, I have thought it useful to make them at this early stage, especially as I believe that the whole question of costs is of overwhelming importance for the realization of economic growth.

On page 189 the Economic Advisers state "that the general guide for non-inflationary wage behavior is that the rate of increase in wage rates (including fringe benefits) in each industry be equal to the rate of over-all productivity increase." This, I think, is likely to be the result in the long-run, and I also think that it is useful to have this laid down as an over-all principle, with some important modifications added. But we have to remember that we always live in the short-run, and the peculiar situation at present is that there is widespread unemployment and the need to absorb year after year new workers. I cannot help feeling that it would be valuable to recall what some of the ablest economists have said of such a situation:

Let us first consider the view of Keynes. His recommendation at a time of widespread unemployment is, on the one hand, to arrange for an increase in demand (through financial expansion and other ways), but, on the other hand, to allow no increase in nominal wages. When he wrote his "General Theory," published in 1936, he argued against a reduction in nominal wages since he thought that such reduction would give rise to expectations of a future decline in prices--and this would have a deflationary effect. But he never considered it appropriate to have an increase in nominal wages while there was widespread unemployment. The reason is simple: an expansion in demand will buy more labor if the price for labor is not increased. It is important to remember that Keynes arrived at this conclusion in the context of a closed economy, thus without any consideration of balance of payments problems. He was, of course, aware that in the circumstances of fierce competition that prevailed in the Great Depression, prices could not generally be expected to increase. (I have myself made a study of developments in various countries during the 1930's, and I found that those countries which combined an expansion of demand with adjustment of costs were those that had, under those difficult circumstances, the best performance of recovery.)

Next I want to refer to the views of Professor Alvin B. Hansen who is, as you know, one of the foremost commentators on Keynes' theories in this country. In an article on March 5, 1961 in the "New York Times Sunday Magazine," he proposed among other things an expansion of demand, and added: "A danger signal needs to be hoisted. The increased aggregate demand springing from these programs could evaporate in higher prices and more money wages with no gains in output and employment. There is indeed a great danger that this will happen in whole or in part."

I also want to refer to the Swedish economist, Knut Wicksell. The last address I heard him make was in the Economic Club in Stockholm in the winter of 1920. He discussed the question of the consequences that would result from an increase in wages by the labor unions to a higher level than marginal productivity of labor would warrant. He went on to say that in such a case unemployment would be the inevitable result. One of his famous phrases is, as you may know: "The capitalist saver is . . . fundamentally the friend of labor, though the technical-inventor is not infrequently its enemy." The reason is, of course, that labor-saving inventions tend to reduce the equilibrium wage for labor. In a market economy--and that is what we have in the Western World--the objective must always be to attain economic equilibrium, and failure to do this is fraught with dire consequences, being especially harmful to growth.

I would like to mention that the views expressed by these three economists have nothing to do with their political orientation. All three were decidedly "leftish," being all in favor of the welfare state and not averse to governmental intervention, and both Wicksell and Hansen were outspokenly in favor of measures for the retraining of labor, which they regarded as important both technically and psychologically. But they all examined what they thought would be the equilibrium wage in the market system in a situation of unemployment, and all three came to the same conclusion.

I am fully aware, of course, that life is made up of compromises, but growth and employment are important matters, and that being the case, the views expressed by these three able economists should certainly receive serious consideration.

Sometimes I am asked whether the policies which have to be pursued to attain a high level of growth are compatible with those that are required to master the difficulties in the balance of payments. My inclination is to answer that, in the present situation, these policies are not only compatible but essentially the same.

May I add that the only real fear for the dollar which I find among the best informed Europeans is the following: they ask what will happen if there is not much growth and no real reduction in unemployment. Will that not lead, they wonder, to desperate U.S. policies, including a large budget deficit which many of them think will not in itself do much good; but here again we find a close connection between growth policies and balance of payments considerations.

In regard to increase in demand, I should like to make one specific observation: additional budget expenditure may, when it happens, be expected to increase demand <u>pro tanto</u>, but it can hardly be so great that in itself it will solve the problem (it did during the war but then it was for very large amounts and, incidentlly, wage rates were kept down). The crucial question is, of course, whether or not the increased budget expenditure exerts a cumulative effect that is often called the "multiplier" effect. Keynes' "General Theory" had not yet begun to be read on the Continent when we had, I believe in 1937, a discussion on the effects of a public works program in the Economic Society in Basle--and the question we discussed was under what conditions such a program could be expected to act as a "Initialzündung"--an initial ignition to expansion. Isn't that very much the same question that we have before us in this country today?

An eminent economist well known to all of us is, I believe, not too optimistic about the prospects at the moment. From the conversations I have had with him over the past year I think I can guess why that is so. He seems to think that creeping inflation was necessary to prevent profits from shrinking too much, as he expected wages would continue to rise. He now sees no "chance"--as I suppose he would say--of a creeping inflation, and if wage increases then were to continue he would naturally be concerned about the effect this would have on growth.

Personally, I am not really pessimistic. Over the last year there has been considerable progress towards equilibrium internationally, and I find that here in this country economic problems are discussed with growing realism. I have quoted the views of some eminent economists. Naturally, I hope that in the coming consultations these fundamental matters will be discussed. I am not sure that much of what I have said today will enter into the final report, but at this opening meeting I have taken the opportunity of referring to certain matters which surely concern us all. I have done so in no critical spirit.

I appreciate very much the fine educational work that has been undertaken, and I realize all the difficulties in policy-making. Indeed, I admire very much all that has already been done, and I hope and believe that the results of these consultations will be to present to those who receive the forthcoming report a picture of the difficulties, opportunities, and achievements of this country, especially as the Free World wishes all success to the United States in coping with its economic problems.

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