by Edward M. Bernstein which discusses the economic impact of our balance-of-payments problem here and abroad and ask that it be inserted at this point in the RECORD.

NO EASY REMEDIES EXIST FOR PAYMENTS PROBLEMS

(By Edward M. Bernstein)

In a New Year Day message to the nation, President Johnson announced a very severe program to restore the U.S. balance of payments. The new program is urgent because of the threat to the dollar. The strength of the dollar depends on the strength of our payments position.

The United States has had a difficult balance of payments problem for the past ten years. Essentially this means that the earnings from our trade surplus and foreign investments have not been sufficient to pay for our foreign investments and the aid and overseas military expenditures of the Government. Every President since Eisenhower has taken some action to strengthen the balance of payments. Despite this, only a moderate and temporary improvement was achieved. In the past two years the problem has become more acute—partly because of the costs of the Vietnam war, partly because of the inflation of 1965–66.

The devaluation of sterling weakened confidence in currencies generally and in the dollar particularly. Speculation reached fever pitch in the gold markets of London, Zurich and Paris. There was imminent danger of a breakdown of the international monetary system. The speculation was brought to an end through the cooperative action of the countries in the gold pool, but only after several hundred million dollars had come out of our gold reserves.

So long as other countries keep acquiring a surfeit of dollars, there is danger of renewed flight into gold. Unless we restore the strength of the dollar, which is one of the pillars of the international monetary system, it will be impossible to avoid widespread monetary disorders. The remarkable prosperity of the postwar period might then end in a disastrous worldwide inflation as it did in the 1930's.

These are the facts and the fears that underlie the President's action program. The program imposes a reduction of $1 billion in U.S. direct investment abroad. It requires a return of $500 million to this country through a reduction of bank loans to continental Europe. It envisages a reduction of nonessential travel outside the Western Hemisphere. It includes further restraints on Government spending abroad. Finally, it proposes measures to encourage a larger increase in U.S. exports which must be the principal means of restoring our long-run payments position.

The action program will entail hardships for the U.S. economy and for the world economy. There are people who believe that all this is unnecessary. Some of them seem to think that our difficulties are due to wicked foreigners who insist on converting dollars into gold. Others think that the balance of payments can be restored painlessly by letting the dollar depreciate in a free exchange market. Unfortunately, there are no easy remedies for balance of payments problems.

The outflow of gold is a consequence, not a cause of our difficulties. We cannot solve the payments problem by the ingenious device of saying that we will sell gold, but we won't buy it back. No foreign country is selling gold to us now, except as a friendly gesture, and none will sell gold to us in the future unless they run short of dollars. It is true that foreign central banks cannot continue to add indefinitely to their gold reserves except by cannibalizing our gold reserves. This is the real gold problem. The solution is to create new reserve assets, not to force a unilateral demonetization of gold. In the meantime, we can keep our gold if we bring down the dollars to pay out to foreigners to the amount they want to spend and invest here.

The view that it would be painless to restore our balance of payments by letting the dollar depreciate in a free market is an illusion. All that a depreciation of the dollar would do is to allocate the effects of the reduction in U.S. foreign spending in a different way. In this country, it would place the greatest burden of adjustment on the consumers of import goods—through higher prices and smaller supplies. Abroad, it would place the greatest burden of adjustment on the countries that depend on exports to us. Canada, Japan, and the United Kingdom, which have balance of payments problems of their own, would find their position intolerable. They would have no alternative except to let their currencies depreciate, too. Even some of the surplus countries of Europe would feel the depressing effects of a reduction of their exports to us. In order to maintain production and employment, they would probably let their currencies go down to the previous dollar rate. In the end, a depreciation of the dollar would bring improvement in the balance of payments in the wrong accounts and from the wrong countries at the cost of serious monetary and economic disruption.

To put it plainly, there will be some hardship from a reduction of U.S. payments by $3 billion no matter how it is done. The action program minimizes the impact on the world economy. Except for the proposed tax on tourist travel, it does not restrict any trade in goods and services. Even the restraints on capital outflow are designed to avoid adverse repercussionary effects on the world economy.

The severest restrictions are on direct investment in continental Europe. Many of these countries have a balance of payments surplus and large reserves. They can absorb the balance of payments effects and they can offset any adverse impact on their economy through expansionary domestic policies. The restriction on direct investment in other developed countries (the United Kingdom, Canada, Japan and Australia) and in the oil-producing countries of the Middle East is relatively moderate. Even so, it will cause difficulties for some of the hard-pressed countries. In the less developed countries, U.S. direct investment can grow this year by a generous 10 per cent. The restriction on bank credit to foreigners is virtually all on the developed countries of continental Europe. If they adjust their credit policies to offset reduced borrowing from this country, there will be no adverse effect on production and trade.

The action program is an emergency program. It should be a temporary program. Our first job is to see that it succeeds. That requires, above all, avoiding renewed inflation by enacting the temporary tax surcharge. Beyond that, we must strengthen our long-run competitive position by holding down prices and costs. Then, when the Vietnam war is over, we shall be able to balance our payments without controls. The world needs a strong and stable dollar. That means a strong and stable dollar without controls.

RAIL MERGERS

Mr. CHARLES H. WILSON. Mr. Speaker, I ask unanimous consent that the gentleman from Maryland [Mr. FRIEDEL] may extend his remarks at this point in the RECORD and include extraneous matter.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. FRIEDEL. Mr. Speaker, as chairman of the Subcommittee on Transportation and Aeronautics of the Interstate and Foreign Commerce Committee I have received a considerable amount of mail and listened to a lot of arguments for and against railroad mergers.

I am sure my colleagues are aware of the length of time it takes to obtain a decision on such a proposal, particularly if it is taken to the courts. Just last month we saw the Supreme Court rule on the merger of the Pennsylvania and New York Central Railroads.

In this connection I would like to call to the attention of my colleagues an article which recently appeared in the Washington Post entitled "Rail Merger Consummated" and ask unanimous consent to have it inserted at this point in the RECORD.

[From the Washington (D.C.) Post, Jan. 21, 1968]

RAIL MERGER CONSUMMATED

The Supreme Court put an end to a protracted and litigious struggle when it approved the merger of the Pennsylvania and New York Central railroads. Some savings should be effected by the corporate union, and the bankrupted New Haven will be rescued, albeit, as Justice Douglas pointed out, at a very heavy cost to its bondholders. But in weighing the public benefits of the Penn Central merger, which was as much the result of political as economic pressures, the question of balanced rail competition in the East should not be forgotten.

If one proceeds logically from the proposition—still to be tested—that rail merger is the only route to economic viability, it follows that the eastern consolidation should have assumed a different shape. The Pennsylvania should have been merged with the Norfolk & Western and the New York Central with the Chesapeake & Ohio-Baltimore & Ohio, thus pairing merchandise carriers with coal carriers for balanced competition. But that reasonable, two-trunk line arrangement was not made. Instead, the Interstate Commerce Commission, bowing to New England pressure on behalf of the New Haven, which were particularly strong in the Kennedy Administration, agreed to a three-trunk line system for the East, the Penn Central, the C&O-B&O and the N&W.

The flaw in the three-trunk line system is that competition is badly unbalanced, the Penn Central being so large as to overwhelm its independent rivals. That is why the N&W and the C&O-B&O want to merger, and that is why they opposed the union of the Pennsy and Central pending ICC approval of their own merger.

In our view an N&W-C&O merger is essential to restore the balance of rail competition in the East. It has been endorsed by the Council of Southern Governors and faces no major opposition except that of the Penn Central. The ICC, having pushed the Eastern railroad consolidation to this point, should approve the N&W-C&O merger as swiftly as it possibly can.

CONSUMER PROTECTION ACT

Mr. CHARLES H. WILSON. Mr. Speaker, I ask unanimous consent that the gentleman from Texas [Mr. ECKHARDT] may extend his remarks at this point in the RECORD and to include extraneous matter.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. ECKHARDT. Mr. Speaker, the bill that we passed today is the most innovative bill that we have passed in this session of Congress and it affords effective consumer protection against credit abuse and excessive hidden interest rates in credit sales of consumer goods. I voted for the bill enthusiastically.

But the Republican amendment was improvident. It is a sham pretense at reform with gaping loopholes. The Poff amendment should be eliminated or drastically altered in conference.

Under it, a State loan regulatory agency which is weak or corrupt can circumvent application of Federal law by licensing lending institutions which flagrantly and habitually engage in usury—section 102(b)(4), CONGRESSIONAL RECORD, January 31, 1968, page 1605.

In States where there are no usury laws, no Federal prohibition is applicable at all under the Poff amendment Only in States which have good laws and good regulatory agencies, or no regulatory agencies does the Poff amendment have effect. In the former situation, State law and State enforcement may be presumed to be adequate, and Federal activity in the field is officious intrusion.

There is, therefore, only a narrow field in which the amendment would have practical effect. Some little reform in this narrow field is too small a correction to be worth the price of abandoning sound constitutional principles of equality of treatment under the law of citizens of all States and of injecting the Federal courts and police into the area of general criminal law and thus moving apace toward a police state.

PROTECTION FOR BANKS

Mr. CHARLES H. WILSON. Mr. Speaker, I ask unanimous consent that the gentleman from Florida [Mr. FASCELL] may extend his remarks at this point in the RECORD and include extraneous matter.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. FASCELL. Mr. Speaker, as I indicated to Members of the House on January 30, it has been most gratifying to me, as chairman of the Legal and Monetary Affairs Subcommittee of the House Committee on Government Operations, to note the serious attention being paid to organized efforts to combat organized crime against banks. Bank supervisory agencies and banks, themselves, are combining their efforts and sharing their experiences and ideas about effective means of protecting their institutions and their customers against robberies and holdups.

One method of approach is to make bank officials more acutely aware of the many steps they can take to increase security and prevent robberies, as well as to acquaint them with the devices they can install in bank quarters to aid in identification of robbers who threaten their employees and depositors.

On January 19, 1968, the Comptroller of the Currency, William B. Camp, distributed to the presidents of some 5,000 national banks throughout the country a pamphlet outlining both the growing threat they face and some of the methods and devices that can be used to counter these crimes.

The text of Mr. Camp's letter follows:

THE ADMINISTRATOR OF NATIONAL BANKS,
Washington, D.C., January 19, 1968.

To the Presidents of all National Banks:

A booklet entitled "Criminal Assaults on Banks" is enclosed. It is being distributed to alert financial institutions across the United States to the sharp rise in bank robberies, burglaries and related crimes—including shootings and beatings of customers and personnel.

This booklet emphasizes the compelling need for a sound program of bank security and protection. It describes several devices and techniques which have proved effective not only in safeguarding financial institutions against criminal assault, but also in helping the FBI and other law enforcement agencies to identify and arrest those involved when robberies or burglaries have occurred.

We urge that, in the light of the information which this booklet contains, you carefully consider the protection being afforded your own facilities, customers and personnel. The mounting tide of crimes against banking institutions is a clear warning that strong safeguards and up-to-date security measures are needed.

Please do not hesitate to contact either your local FBI Office or this Office if you would like to have additional information on how to formulate a maximum protection plan for your bank.

Sincerely,

WILLIAM B. CAMP,
Comptroller of the Currency.

The response to the Comptroller's letter has been gratifying to him and to me. Bank officials have pledged renewed efforts on their part and have indicated that they are taking the warning to heart and are following his suggestions for tighter security measures.

The public, too, is becoming increasingly aware of the problem, as indicated by the newspaper articles that follow:

[From the Washington Post, Jan. 23, 1968]

NEW SAFEGUARDS URGED TO THWART BANK ROBBERIES

The Comptroller of the Currency, citing a mounting wave of bank robberies, has urged all national banks to incorporate strong safeguards and up-to-date security measures in their operations.

Comptroller William B. Camp sent to all national bank presidents a booklet entitled "Criminal Assaults on Banks" which suggests alarm systems, microphones connected to a speaker at the local police station and hidden cameras to discourage and thwart robberies.

Bank robberies increased more than 40 percent during the first 10 months of 1967 compared with the same period a year earlier, the booklet says.

[From the American Banker, Jan. 25, 1968]

BANK CRIME PREVENTION BOOK ISSUED BY CAMP

WASHINGTON.—The Comptroller of the Currency is sending a booklet entitled "Criminal Assaults on Banks," to all national banks.

The booklet describes the growing danger from bank robberies, burglaries and related crimes. It also emphasizes the compelling need for a sound program of security and protection in banks.

It tells of several devices and techniques which have worked effectively, not only in safeguarding banks against criminal assault, but also in aiding the Federal Bureau of Investigation and other law enforcement agencies to identify and arrest those involved in burglaries or robberies.

Some of the more economical devices and techniques to improve bank security mentioned in the booklet are: "Robbery Alarm Systems," at a cost of less than $100, plus a small monthly charge; a microphone and connected loud speaker system from the bank to the local police station, also under $100, and protective cameras—both motion picture and sequence-type—for about $1,000.

Other measures include: Uniformed guards; steel bars and gratings over windows and skylights; bulletproof glass at tellers' windows, as well as two-way mirrors; adequate lighting, and "bait" money with the denomination, serial number and series year recorded.

[From the Philadelphia Inquirer, Jan. 23, 1968]

BANKS URGED TO IMPROVE SAFEGUARDS

The Comptroller of the Currency, citing a mounting wave of bank robberies, has urged all national banks to incorporate strong safeguards and up-to-date security measures in their operations.

Comptroller William B. Camp sent to all national bank presidents a booklet entitled "Criminal Asaults on Banks" which suggests alarm systems, microphones connected to a speaker at the local police station and hidden cameras to discourage and thwart robberies.

THE PRESIDENT'S IMAGINATIVE MESSAGE ON VETERANS AND SERVICEMEN CHARTS A REALISTIC COURSE OF ACTION

Mr. CHARLES H. WILSON. Mr. Speaker, I ask unanimous consent that the gentleman from New Jersey [Mr. RODINO] may extend his remarks at this point in the RECORD and include extraneous matter.

The SPEAKER. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. RODINO. Mr. Speaker, one of the highlights of President Johnson's message to Congress on America's servicemen and veterans was his request to provide incentives to channel the talents of veterans to the most urgent needs of rural and urban communities.

His proposed Veterans in the Public Service Act of 1968 would provide additional benefits to veterans to teach the children of the poor, to help man police forces and fire departments, and to do meaningful work in local hospitals.

This program should enable Vietnam era servicemen, who return to civilian life at the rate of 70,000 a month, to bring the leadership they have acquired in the service to inspire the children of the disadvantaged to work their way out of their unfavorable surroundings and up to their fair share of the fruits of our democratic society.

It is fitting that these children should learn how to make their way in our system of free enterprise from the men who