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NEWS from Congressman CHARLES W. WHALEN, Jr.

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68-#03

January 8, 1968

FOR RELEASE UPON RECEIPT

DAYTON, OHIO -- Charles W. Whalen, Jr. (R-Ohio) today criticized President Johnson's proposal for countering the balance of payment deficit and suggested a two-point program for Congress to consider.

Whalen, former University of Dayton Economics Professor, called the President's approach "piecemeal or shot-gun and does not go to the heart of the matter."

Instead, Congress should remove the gold cover clause which would eliminate the 25% gold backing on federal reserve notes, Whalen said.

Further Congress should establish a bi-partisan, bicameral commission to study the whole balance of payments question and report its findings in six to eight months.

The task of Congressional commission would be to examine in depth the long-range effects of the President's proposals and to scrutinize the entire range of American commitments abroad which contribute to the balance of payments deficit.

Whalen made the statements in a speech at noon here before the Dayton Rotary Club.

Dropping the 25% requirement would free about \$10 billion in gold reserves of the \$11.6 billion remaining. The present gold requirement serves no useful purpose and its elimination would enable the U. S. to meet

(M O R E)

its legal requirement to redeem dollars held by foreigners for gold.

Whalen said the real culprit in the balance of payment deficit is the federal government's commitments abroad.

He said the President's proposal appears primarily to affect the private sector. In contrast, it is the public sector -- government military spending and grants and loans abroad -- that cause the balance of payment deficit, he contended.

Using 1966 figures, Whalen pointed out that the private sector showed a surplus of \$4.3 billion. This included the categories of exports and imports, travel, pensions and remittances abroad, foreign investment and return on investments abroad.

The government net overseas expenditures of \$5.6 billion created an overall deficit of \$1.3 billion, he said.

Whalen said the President's plan invites reciprocity by foreign government and tends to hurt the "little people" -- teachers and students who travel.

In addition, curbs on American foreign investment would be harmful in the long run, he said.

Whalen said American foreign investment abroad was \$4.2 billion in 1966 versus foreign investments in the U. S. of \$2.6 billion.

At the same time, the return on American investments was \$5.6 billion while foreigners earned only \$2.0 billion on their investments here.

Whalen, although critical of the President's plan, said he would not close the door entirely on the proposal because there might be no other alternative available.

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