

The guidelines for foreign lending and investing by American financial institutions and business corporations were proposed by President Johnson in early 1965. They have since been tightened and extended in coverage.

This recounting of efforts to deal with pressing short-run problems raises serious questions about the future of our market economy. The fundamental danger of guidelines and guideposts as permanent devices for influencing crucial decisions in our type of economy is that proliferation of such programs can seriously undermine the very strength of the economy itself. The market system's reliance on private initiative, self-interest, the profit motive, and competitive pricing provides the fundamental strength and drive of the system. Guideposts and guidelines, however, represent an attempt to induce market participants to behave in ways other than they would if they were reacting solely to market pressures and in the best interest of those whom they represent. Reference here is not to short-run self-interest, but to long-run, enlightened self-interest.

This is not to argue that competition is pure and perfect in either product or labor markets; such obviously is not the case. It is to argue that, rather than responding to pressing short-term problems by adopting methods which work against market processes, the proper approach is, whenever possible, to work by and through the market mechanism. To the extent the mechanism itself is faulty, then attention should be directed to the fundamental factors accounting for that weakness.

Stated differently, it is far preferable to attempt to correct fundamental market deficiencies than to try to transform or redirect actions growing out of market processes. As noted earlier, the latter course runs the serious risk of undermining the very strength which accounts for the superiority of our type of economic organization—a superiority which throughout modern industrial history has been demonstrated beyond doubt.