

terms of its legal situation and say that it may be supported by the courts.

Despite the fact that it might be supported by the courts, we feel that the administration should have accorded the Congress and the business community an opportunity to suggest alternatives to the mandatory program through some system of communication.

In our judgment, whatever may be the answer to the legal question, to undertake a program of this type without hearings, without public discussion of the issues, both from the Government and industry viewpoint, is unconscionable in terms of American institutions and American processes.

Finally, we turn to the administrative problems which are going to be horrendous. To put it in a nutshell, as is spelled out in our statement, in our judgment this program in its present form is unadministerable.

Conclusion: We feel that the basic decision to invoke these controls should be reevaluated from scratch. If the administration is determined, however, to continue a program of some type in this area on a mandatory basis then it needs to dismantle the present program and re-think it and restructure it.

Now, why the latter recommendation in the event the program stays in effect? That is dealt with in the criticism of the structure of the present program beginning on page 26, and I call your attention, in the interest of time, only to one or two of these many difficulties which are merely symptomatic of the character of this program. I think it is apparent to all of you by now that this program penalizes most directly and in the most punishing way the very companies that cooperated to the maximum degree under the so-called voluntary program.

This is true with respect to both restrictions on capital outflows and repatriation of earnings. This in itself seems to be wholly unjustifiable, but think of it in these terms: Put yourself in the position of a businessman who did more than was expected of him under a voluntary program, who, therefore, in effect created a base which is impossible to live with for purposes of repatriation requirements or destroyed his base for purposes of capital outflow. What is his reaction to being in that posture under the mandatory program? Can the Government ever expect this kind of affirmative cooperation from the business community again when it follows voluntary controls with a program that is so badly conceived and so badly structured that it punishes the very companies which gave maximum cooperation in the first place?

We underline on page 28 that the division of the world into schedules with a preference for developing countries makes absolutely no sense at all for purposes of balance of payments. We suggest ways in which the developing country objective might be carried out but it should not be done at the expense of companies which have a worldwide problem with regard to investment abroad.

The schedule approach also maximizes the complexity of this program and makes it unlivable, in our judgment, both for Government and private industry.

It is suggested by Government that we have no serious problem with regard to the restrictions on private investment abroad except for a little adjustment because we have the freedom under the program to