borrow abroad. Beginning on page 31 we take that allegation apart and conclude that borrowing is no panacea, particularly in view of a number of factors, including the limitations on foreign capital markets, the extent to which many of these companies are already in "hock" under the voluntary program, and also that many of them will be compelled to borrow in order to comply with the repatriation requirements.

And so it goes. There will be an invitation to foreign reprisals. There will be special unfavorable effects on foreign countries, and in this connection have you read the Treasury Department release with regard to Canada which came out on January 21? It is reproduced at the bottom of page 37. It almost creates the impression that we don't have a compulsory program with regard to private investment abroad. And why did the United States have to issue that press release? Because Canada was in trouble. Apparently there was a threat of devaluation and if business had complied in the spirit of the controls program without this warning, serious damage to the Canadian situation might have been caused. How many Canadas are we going to have in the world before this program is over?

And then there is the serious problem of administerability to which I have already referred.

Now, I am exhausting my time. I will merely say that at the end of the statement we suggest some affirmative recommendations that begin on page 621, the first of which is a prompt return to a voluntary system affecting direct private investment abroad, if we need any at all. We need to get our domestic fiscal policy house in order and we believe that the big place to hit there, as we have said before this committee on many occasions is at the nonessential expenditure side. We urge that under no circumstances should you, in our judgment enact the tax surcharge except on condition that a substantial program is developed beyond what has already been offered in terms of expenditure reductions.

In this connection we have recently completed a memorandum which is called "Government Expenditures in the Postwar Era: The Bulge in the Nondefense Area."

I offer it for the benefit of your staff, or the record, as the committee pleases.

We suggested that there be prompt implementation of the export expansion proposals and we call your attention to the fact that these programs have been on the desk of Government for years, going back to the White House Export Conference in 1963. Many of them are very good. Many of them should be dynamically implemented. But they are no excuse for the direct foreign investment controls or for these travel restrictions. Finally, at the end we call your attention to certain tax implications that are implicit in the direct foreign investment program, particularly with regard to the repatriation of earnings. We suggest that a careful inquiry by this committee into those implications and into what should be done either administratively or legislatively to deal with them is very much in order.

I apologize for skipping through the statement. We appreciate very much the opportunity to be heard.

(The memorandum referred to follows:)