

1965 and 1966 our dollar investment abroad was held to a level which represented two-tenths of one per cent of our existing overseas investment. During this same period we repatriated 89% of our overseas earnings.

While we have not objected to the need for restraint in foreign investments, we do object strenuously to the mandatory controls which the President has now imposed through his January 1 executive order. There are competitive pressures in certain markets and in certain product lines which require capital investment if we are to prevent total collapse of our business there. Failure to modernize or to install equipment needed to produce new or improved products will result in what we believe could be a permanent loss of markets to our company and an overall loss to our economy.

It is ironic, and patently unfair, that those American companies that have done the best job of complying with the government's voluntary program are to be penalized the most under the mandatory controls. Companies like Armco that cooperated with the voluntary program now find they are forced to live with standards that use 1965-66 as a base period. Under this new mandatory program, companies that repatriated unrealistically high levels of earnings in 1965 and 1966 in cooperation with the voluntary program must now use these high levels as the standard or yardstick for current repatriation requirements. In some instances, these requirements are literally impossible to achieve.

For example, in Schedule "B" countries, we would be required to repatriate 20% more than our forecasts indicate we can reasonably expect to earn. In Schedule "A" countries, it looks as if we will be required to bring back 25% more than it would be practical for us to repatriate. It is obvious that we will be forced to seek exceptions to the President's order in a number of instances.

Those of you who serve on this important committee are certainly well aware, and do not have to be told, that control of foreign investment is not the answer to our balance of payments problems. We have seen the importance of such investments to the growth of our business. You may have seen the figures in the February 5th issue of *U.S. News & World Report* and read the statement that "Earnings on foreign ventures by American companies, together with income from foreign stocks and bonds, have more than doubled in 10 years—the fastest growing source of dollar inflow for the U.S."

Such investments are essential to the nation's growth and to our economic health in a time of increasing one-world marketing.

Our imbalance of payments can be traced to:

A long period of government fiscal policies that have led to inflation and thus hindered American business efforts to compete in world markets.

The heavy and growing burden of our military commitment in Vietnam.

An unreasonable growth in governmental non-defense spending.

We respectfully suggest that there are several fiscally responsible alternatives to the President's balance of payments proposals:

1. An immediate and significant reduction in the level of non-defense government expenditures . . . at least until we can reduce our defense spending.

2. A corresponding slow-down in the creation of money by the federal reserve system.

3. The immediate consideration of Mr. Mills' bill proposing a bi-partisan Government Program Evaluation Commission to study and evaluate all government spending. This nation can't do everything and we need to set reasonable priorities that will permit us to do the most necessary programs . . . within the limits of anticipated tax income.

4. Start the machinery necessary for a comprehensive review of federal tax provisions with the objective of overhauling our basic tax laws to provide incentive to individuals and to businesses that would encourage economic growth.

We believe that one of the most serious spin-off problems from the balance of payments difficulty is the uncertainty created by our government's tax stance. This uncertainty is an unnecessary psychological drag on our nation's economy and a disservice to all of our people. We have noted with considerable interest, Mr. Chairman, your accurate appraisals of economic conditions in this country and we appreciate the steadfast efforts of this committee to cut government spending. We believe this has to be a significant part of any balance of payments solution. We commend you for your efforts and will stand ready to support you and your committee in this direction.