

Turning now to the controls, the Council's report states that the new mandatory controls are necessary for the purpose of injecting equity into a control scheme; that is, voluntary controls were not equitable, but mandatory controls will be equitable.

But the mandatory controls are themselves based on 2 years of experience under voluntary controls—1966 through 1967—and, therefore, compound the very inequities which are supposed to be avoided. Many companies tried to do their best to meet those control levels. In fact, they operated in such a way that there was a zero-net outflow of funds for some, who contributed to the U.S. balance of payments through a reduction of capital abroad; that is, they actually decapitalized in some cases. They, therefore, are left under the mandatory control system with a zero base, and even if you are permitted to export capital equal to 65 percent of your base, that is still zero from any companies.

In addition, there are some companies who were standing in the wings in 1964–65 planning investment who were literally cut out through the voluntary controls, because they had no base, and are still in a position of having no base. Although exceptions are permitted, these exceptions have to be given authorization by the Department of Commerce, and as you know, Mr. Chairman, if exceptions have to be granted, you begin immediately to remove equity. Therefore, I see no particular way in which the controls will operate to gain the one major thing which they say mandatory controls will gain over voluntary controls.

As to the effect of the controls themselves, I have worked out a table which I will not go through in this presentation, but will only indicate that the best that we can tell, an outflow of dollars in a normal pattern, a normal aggregate pattern of investment, will be paid back in the balance of payments within about $2\frac{1}{2}$ years. Now this is an aggregate experience taken from the data of the Department of Commerce, and is not a specific investment project. But, if that is true, I think we are already now in 1968 bearing the burden of 1965 restrictions in a loss of exchange, to meet our balance-of-payments deficit.

Each year, of course, as the controls proceed, we are continuing to lose the payback from past investments which were not permitted.

Now then, the average, as I quite well admit it, is made up of a variety of specific projects, and, therefore, of varying financial outflows and inflows. I have tried to detail in the table a few examples and as many of the complex factors as one could get an even estimated grasp of. They show that even a direct acquisition might well be repaid in $2\frac{1}{2}$ years, and any expansion of investment after that $2\frac{1}{2}$ years might very well give rise to an immediate payback.

For example, General Motors has reported that over the past 20 years no dollars have flowed out to support its investments abroad. If that is in fact the case, all of the returns, which normally run about 60 to 65 percent of earnings have been on top of a zero base of outflow; that is, they are a net contribution to the balance of payments.

This is largely the case for an expansion of existing investments, which occurs largely without any outflow dollars. Therefore, in order for us to get the largest paybacks, what we need is to expand existing investment. That, however, means that there must have first been a base somewhere, and, therefore, we are now beginning to pay addition-