on balance of payments which flow from foreign direct investment, but it is perfectly willing to restrict that foreign direct investment for what it considers to be a necessary short-term advantage. In our view, no substantial long-range program is outlined. And the administration is not even realistic about the disadvantages and boomerang potential for the short term of many aspects of the control program.

Burden.—Any system of controls involves heavy bureaucracy, painful paperwork, and serious disruption of normal activity. We can look for nothing better than the traditional incidents of control programs from the direct foreign investment and travel restrictions. Moreover, inequities will abound. In respect to burden, both in industry and Government, I suggest that the committee examine, or possible admit for the record, base period form FDI–101 with six supplements and instructions which has just come off the press and is due on a mandatory basis by March 22.

Effect on freedom.—Controls always involve serious restrictions on freedom. In any system of democracy, even in its purest form, it is impossible to practice complete freedom. But it has always been an essential part of the U.S. approach to government, to its institutions, and to all types of activity, human and institutional, to attempt to achieve maximum freedom consistent with the public interest. Any program which curtails freedoms must be undertaken only after the most careful examination of need, an appraisal of the probability of accomplishment of goals, and a determination to limit restrictions on freedom to the bare minimum. In our judgment, the control programs which have been launched by the administration, including the one in effect and the one now proposed to the Congress, meet none of these tests; indeed, they fail miserably. They were hastily conceived, weakly structured, and poorly rationalized. They are offered without any apparent appreciation of their perverse effects both in general and in respect to the policy objective of improving our balance of payments. They are offered without any real and credible assurances as to termination and without a definitive program for their supersession by longer range and more permanent solutions to a problem that has plagued this country for many, many years; namely, the balance-of-payments situation. It should be added that due consideration has not been given to the effect of these travel controls on foreign countries including their ability to import U.S. goods. We therefore consider it not only appropriate but we feel an obligation to contribute to the record of the joint committee and express our disapproval in principle and in substance with respect to these ill-conceived programs.

Do mandatory controls work?—In the annual report of the Council of Economic Advisers transmitted to President Johnson on January 25, 1968, under the heading "Price and Wage Policy," at page 119, the following statement appears:

Direct controls

The most obvious—and least desirable—way of attempting to stabilize prices is to impose mandatory controls on prices and wages. While such controls may be necessary under conditions of an allout war, it would be folly to consider them as a solution to the inflationary pressures that accompany high employment under any other circumstance. They distort resource allocation; they require reliance either on necessarily clumsy and arbitrary rules or the inevitably imperfect decisions of Government officials; they offer countless temptations to evasion or