be purchased from other than U.S. suppliers. The results will be strongly adverse for the U.S. balance-of-payments position and the international competitiveness of American industry.

Further, it is those industries which are not yet established abroad but which are finding foreign operations increasingly necessary in the face of stiffened foreign competition which will be hindered most by these restrictions because more often than not they will have less access to foreign capital markets and, of course, internally generated funds from their foreign operations are minimal. Yet, it is these very companies whose need is greatest for establishing themselves in foreign markets in order to maintain a competitive position both abroad and at home in the face of rapidly increasing foreign competition.

Conclusion

In conclusion, we cannot emphasize too strongly two of the basic underlying reasons for our grave concern over these developments; namely (1) the indefinite nature of the controls and (2) the inability or unwillingness of Government authorities to take adequate steps to develop a healthy balance-of-payments position within the context of freely competitive markets, and to set realistic public policy objectives consonant with available U.S. resources. Considering the first, one has only to look at the history of controls over the past decade. Once imposed they have normally been maintained. This has been the case, for example, with the interest equalization tax and the voluntary program to improve the balance of payments which were both introduced as "temporary" measures and which have evolved into the rigidly restrictive mandatory programs which have now been imposed.

As to the question of developing a healthy balance of payments, the Government seems incapable of bringing itself to undertake in a vigorous manner the necessary steps to this end. Instead of adequately using the time purchased with the increased restrictions to pursue policies which can increase the international competitiveness of the U.S. economy (or, alternatively, to cut back on our international commitments), the Government seems to find temporary improvements in the payments balance resulting from such restrictions and excuses to continue on the same economic course only to conclude that controls have to be tightened even further at a later time.

It must, of course, be recognized that the Vietnam war is an important factor underlying the present difficulties and, unfortunately, there is no clear indication that the resources directed to this war can or will be reduced significantly in the near term future. However, this is almost beside the point. While the extent of our foreign commitments have no doubt been increased because of Vietnam, they have been heavy throughout the post-World War II period, taking the form or large-scale military and economic commitments in extended areas of the world.

It has long been apparent that even the United States has limited resources and that realistic public goals must be established with this fact in mind in order to avoid sapping the strength of the private sector in the pursuit of short-term goals to the point where there will ultimately be no alternative to a sharp, involuntary reduction in international commitments to the detriment of the country. We must find a proper balance between our foreign and domestic objectives.