

eign investment and foreign trade. By way of example, the value of foreign direct investments by these industries totaled \$6.7 billion in 1964, the last year for which data are available, and their exports in 1967 were \$12.6 billion. Our membership's overseas commitments are both long standing—in some cases dating back into the 19th century—and, by competitive necessity, continually enlarging, particularly as part of the greatly expanded international trade which followed World War II. We record these facts not merely to qualify the witness but in order that you may understand the point of view from which we approach this subject.

The institute has opposed the foreign direct investment controls from the hour of their inception, and we still oppose them, both as to the policy decision which created them and as to their specific structure. Such controls are repugnant to the goal of freer world trade so vigorously advanced by this country since World War II, and they are at least inconsistent with the spirit of numerous U.S. treaty undertakings which bear on this subject. Not only are they self-defeating, but, because of the conditions which they produce, they tend to be self-perpetuating. The institute's initial and continuing opposition to the program is documented in the MAPI pamphlet, "The Case Against Balance-of-Payments Controls," which reproduces our testimony before the House Ways and Means Committee on February 21, 1968. A copy is attached.

The general opposition expressed here is shared with rare unanimity among American business. Nor is opposition limited to the business community. Congressional opposition has already manifested itself in the form of the Tunney resolution, introduced with substantial bipartisan support in the last day of the 90th Congress. We are informed that it will be reintroduced in the new Congress, again with substantial bipartisan cosponsorship. At least two distinguished academic economists, Prof. Fritz Machlup of Princeton and Prof. Gottfried Haberler of Harvard, have vigorously and repeatedly denounced this system of controls. Indeed, the administration which invoked these controls did so "reluctantly" and with solemn assurances as to their temporary character. Yet the controls are not only continuing—with appropriate expressions of regret—but their continuance is accompanied by the prediction that they must be continued into the seventies.

Incidentally, something of the character of the program is illustrated by the administration's after-the-fact rationalization of it in the form of a Treasury Department-sponsored study entitled *Overseas Manufacturing Investment and the Balance of Payments, Tax Policy Research Study No. One*, prepared by Prof. G. C. Hufbauer of the University of New Mexico, and F. M. Adler of Columbia University. The conclusions of the study have been challenged in a detailed MAPI critique published in November 1968.

A matter of philosophy

Although we have no wish to reargue *in extenso* the merits of the foreign direct investment program, it does not seem to us inappropriate to comment briefly on the philosophy underlying the program. We have for some years been governed by a controls-minded administration. The foreign direct investment program is but one example of this philosophy, which recently received a most disturbing expression