in the report of the Cabinet Committee on Price Stability released by the White House on December 29, which suggests that as part of a broad pattern of voluntary restraint business should absorb "* * * a share of unavoidable increases in cost through acceptance of lower profit margin targets." But this is an aside—our topic here is controls over foreign trade.

As you will recall, a first step in the establishment of Government controls over international business transactions was the adoption of the interest equalization tax on a "temporary" basis—a step that now appears to have become quasi-permanent. Still later a voluntary program of controls over foreign direct investment was adopted which in turn was converted a year ago into the system of compulsory controls with which this statement is concerned. There are still other examples which might be offered in support of this thesis—controls over foreign lending, the attempt to restrict foreign travel, etc.—but the examples cited will suffice to indicate the direction of Government policy in recent years.

We have no doubt that your administration is prepared—even eager—to reexamine the general drift of governmental philosophy that has produced these and similar encroachments on freedom in the conduct of foreign business. It is our hope that your administration will give an early and an especially hard look at the foreign direct investment program. What is needed is a fundamental redirection of policy. We acknowledge, to be sure, that once governmental controls are instituted it becomes extremely difficult to reverse or abolish any such program overnight but, if the net of expanding Government controls—in this and in other areas—is to be eventually unraveled, a start must be made. A small step would be altogether inadequate in the case of the foreign direct investment program. Indeed, adoption of no more than those trifling changes in the foreign direct investment program proposed for 1969 by the present administration might, by reducing the volume of protest, tend over the longer run to extend the program's existence. Decisive action of a fundamental character is required.

However, above and beyond the foreign direct investment controls program per se, there are broader policy considerations respecting foreign trade that require restudy and reshaping. One fallacy implicit in the direct investment controls program is the conviction that it is possible for Government in its wisdom to segregate and to deal separately with foreign trade and international capital flows. Perhaps even more dangerous is the fragmentation and at times the inconsistency of Government policy respecting our foreign trade in all its aspects. In fact, the controls program contains one such inconsistency—the combining therein of restraints on foreign investments with a clear intention to encourage foreign investment in lesser developed countries. Perhaps new governmental institutions are required or the responsibilities of existing institutions will have to be rearranged but, until our Government devises a practical means for developing and pursuing a unitary national foreign trade policy, existing problems in this area will persist and perhaps grow worse.

One further aspect of the present situation requires special mention. It is our observation that there has developed in Government in recent years a creeping and clearly discernible antipathy toward for-