

ply with the foreign direct investment program, business travel abroad is, we believe, more essential now than it was before that program was announced.

With the new regulations on direct investment and repatriation of earnings, decisions have to be made, and foreign travel by American businessmen will be required. If earnings are to be repatriated from foreign subsidiaries, pursuant to a U.S. program, decisions again have to be made, managers and directors of foreign subsidiaries have to be talked with, plans made and revised, again requiring foreign travel by American businessmen. If exports are to be encouraged, someone has to sell such exports abroad. Again, foreign travel will be required. American business cannot carry out the mission entrusted to it under the President's program by pushing computer buttons and writing letters from New York, Washington, or California.

I should like to emphasize this point. The U.S. foreign direct investment program, which is the basic step now being taken by the administration to help cure our balance-of-payments deficit, must, of necessity, recognize the continuing need of business travel by American businessmen in those areas of the world where balance-of-payment problems arise. In seeking to impose restrictions on such business travel, it appears as if the Government, on the one hand, has asked that American business help put out a fire, and, on the other hand, has imposed a travel restriction on the businessman who wants to get to the scene of the fire.

As I said before, we object to the travel tax only insofar as it fails to distinguish between tourism, which may be a legitimate object of restriction when international payments are, as they are today, unbalanced, and business travel, which should not be a legitimate object of restriction. We all know that we are not here dealing with a tax designed to raise money. We are dealing with a tax to restrict travel.

I should like to interject at this point, if it works perfectly, not one nickel will be collected. In fact, the administration's proposal is that the tax be a deductible expense to the business traveler, which makes the tax look like a revenue-raising measure, rather than a deterrent.

I have tried to show that the broad effect of the Secretary's proposals go well beyond an overall objective of seeking to limit tourism, in order to cut down a drain, admittedly minor, in our balance-of-payments position. I should now like to point out specific elements in the proposed travel plan that I feel are fundamentally at odds with sound principles of tax administration.

The proposed collection procedures are both complicated and perhaps embarrassing for taxpayers involved. Imagine, if you will, Kennedy Airport, with travelers lined up to report how much money they have when they leave, and again how much money they have when they return. How will we control the impulse of some to commit fraud and save a 30-percent tax? Will travelers be searched? Does such a tax perhaps encourage the temptation to cheat, rather than to raise revenue?

And the estimated declaration. The traveler who spends more than he plans—who, for example, makes an unplanned purchase of an expensive item—will have to pay not only the 30-percent expenditure tax, but also whatever duty may be involved, plus the penalty for an improper estimate. Why should such an item, if purchased in Europe,