

be subject to both the 30-percent expenditure tax, plus the duty, plus an estimate penalty, while the same item, if purchased in the States, be subject only to the duty?

And the rate of tax on travel. The man who travels from New York to London to Paris to Frankfurt to Stockholm and back to New York pays only a 5-percent tax on his air fare, provided that he does not stop over for 12 hours, or if his plane is delayed beyond 12 hours, then his air fare in Europe becomes subject to the 15-percent or 30-percent expenditure tax, not the 5-percent travel tax. I say, flatly, that this is an unworkable and unjust rule. A tax on air fare for foreign travel should not depend on the number of hours in a stopover.

But let us take the business traveler in Europe, at a 5-percent to 30-percent tax, as the case may be. He has worked hard all day and wants to go to the theater, or he wants to buy a present for his wife or children. He has to pay a 15-percent or 30-percent tax on his personal expenditure, an expenditure not normally of the kind to be reimbursed by his employer. But his American neighbor who is, perhaps in the next room, and who is on a trip for the same duration, and perhaps for the same purpose, is not subject to the 30-percent tax, or any other tax, on the same identical personal expenditure. Why? Because his neighbor works for the U.S. Government. While I respect our hard-working Government employees, I submit that this is unfair discrimination.

Gentlemen, if our balance-of-payments program requires a restriction on tourism, then I urge the Congress to adopt such restrictions as may be necessary. But let us not rush to enact a broad-brush travel and expenditure tax of the type urged by the Treasury Department. To create confusion in tax administration, perhaps to encourage fraud, to discourage for no real purpose necessary travel, and to discriminate unfairly, all in an area where no significant improvement in our balance-of-payments position is to be expected, are hardly hallmarks of a tax program worthy of inclusion in the action program proposed by the President to meet our balance-of-payments deficit.

As I mentioned earlier, we at ITT for some time have shared the Government's concern regarding our declining position in balance of payments.

The American dollar is the dollar of every American. To maintain a strong, stable dollar is not only in our best interest. It is a duty to be carried out.

We have subscribed to the basic concept of the President's program—to prevent an outflow of dollars—by financing our foreign operations from abroad, and not by means of a dollar infusion from the United States. This we will continue to do until the defense of the dollar is assured.

But while we cooperate with the spirit of the program, there is the necessity, I believe, to point out some serious shortcomings which, if left uncorrected, will prove self-defeating.

For example, regulations on direct foreign investment force some U.S. wholly owned companies operating in Schedule C countries to repatriate at a rate which can soon prove to be unbearable.

From a weakened capital position, U.S. foreign operations can be put at a serious competitive disadvantage, and vital dollar-earning