Methods of dealing with our payments problem must begin with rejection of the administration's program. We must recognize the growing limitations caused by our growing financial weakness. We can no longer afford to fight indeterminate, and expensive, "wars of attrition." We must drastically reduce our military presence in Europe. We no longer have the ability to sustain the burden of a strategy that commits us to defend everything everywhere. We must objectively admit the seriousness of our financial problems, so that we can begin to plan realistically for the difficulties that lie ahead.

INEFFECTIVENESS OF RESTRICTION OF PRIVATE COMMERCE

The administration's program will fail because of the ineffectiveness of restriction of private commerce: the travel tax program is part of a larger program of restrictions on private commerce which is designed to deal with the chronic deficit in our international payments. It is a program designed to deal with a practical problem. Like any such program, it can only be judged by the strict criterion applicable to all practical problems: Will it work?

Our present monetary difficulties are no different from those that have afflicted many other nations in modern times. The basic causes are always to be found in Government policies. Restrictions on private commerce cannot change underlying forces which are the natural results of Government policies. Our private commerce shows a substantial surplus in its international transactions. Restrictions on investments will limit the growth and health of our commercial position in the near future. Restrictions on consumption of goods and services offered in international markets, including restrictions on travel, poisons the environment of world commerce and tempts reprisals.

Because of the benefits we derive from our substantial trade surplus, any movement to restrict world trade can only hurt us. Restrictions on private commerce cannot cure the increasing deficits caused by Government policies. These restrictions strike at symptoms of our monetary ailment, instead of their causes.

Above all, these restrictions won't work.

EFFECT ON OUR INTERNATIONAL PAYMENTS OF DEFICITS IN THE NATIONAL BUDGET

Even with the tax surcharge proposed by the administration, a substantial deficit will remain in the Federal budget. Moreover, economic reversal at home or abroad, or any of numerous possible crises, could materially increase this deficit. These deficits in the national budget must continue to apply increasing pressures to our international payments. The mechanism by which this occurs is quite simple and has been frequently emphasized by administration witnesses who have appeared before this committee in support of the tax surcharge.

Deficit spending tends to increase the Nation's income. People with more dollars to spend will naturally tend to spend more and to invest more. This, of course, includes consumption of imports and spending and investing abroad. It is no mere coincidence that the 8-percent annual increases in our gross national product in 1965 and 1966, consciously induced by Federal deficits, were accompanied by 16-percent increases in imports.