rates higher in Europe and throughout the world. The financial pages of the newspapers already contain a constant flow of reports of economic difficulties caused by tight credit conditions. High interest rates in Europe also attract money from our own financial markets.

INEFFECTIVENESS OF THE TRAVEL TAX PROGRAM

The administration's program will fail because of the ineffectiveness of the travel tax program:

The travel tax program is too mild to be anything except annoying. It will probably induce many to take their travel this year for fear of more stringent restrictions in the future. Numerous subterfuges are open to avoid the heavier consequences of the per diem tax. Total expenditures for travel abroad will probably continue to grow whether or not this particular program is enacted. It may be that the only practical effect of the present program is as a forerunner of increasingly restrictive programs to come.

FAILURE TO CONCENTRATE ON REFORMING GOVERNMENT POLICIES

The administration's program will fail because of the failure to concentrate on reforming Government policies:

Restrictions on private commerce divert attention from the primary task; the reformation of those Government policies which are responsible for our payments deficit.

RECOMMENDATIONS

My recommendations are quite simple. The administration's program for restricting private commerce should be rejected as grossly insufficient and dangerously counter-productive. This program will not even appreciably delay the financial dislocation that is rushing uopn us.

The United States must recognize the grave and growing limitations to its financial strength. Like any other financially overextended nation (such as England) the United States must reduce its overseas commitments. We no longer have the financial strength to maintain large forces in Europe. We no longer have the financial strength to engage in "wars of attrition."

Rapidly draining financial reserves indicate that the United States may be losing the "war of attrition" in Vietnam. We must liquidate these expensive commitments now, while we still have some room to maneuver. If we wait until the moment of financial dislocation, we shall be forced to bring these forces home in unseemly haste.

We must stop lying to ourselves. Myths, half truths, and blatant lies inhibit our ability to see the scope of the problem and plan the actions required of us. Misconceptions recently read into the record of these hearings include;

(*a*) The gross national product as an illusion of strength: We have been assured that our great and growing economic production is a solid prop for our financial health. This puts the cart before the horse. Is the mass of economic production a reliable indicator of financial health? Then one would have had to conclude, in the summer of 1929,