

due consideration has not been given to the effect of these travel controls on foreign countries including their ability to import U.S. goods. We therefore consider it not only appropriate but we feel an obligation to appear before this Committee and express our disapproval in principle and in substance with respect to these ill-conceived programs.

Do mandatory controls work?—In the Annual Report of the Council of Economic Advisers transmitted to President Johnson January 25, 1968 under the heading *Price and Wage Policy* at page 119 the following statement appears:

"Direct Controls

The most obvious—and least desirable—way of attempting to stabilize prices is to impose mandatory controls on prices and wages. While such controls may be necessary under conditions of an all-out war, it would be folly to consider them as a solution to the inflationary pressures that accompany high employment under any other circumstance. They distort resource allocation; they require reliance either on necessarily clumsy and arbitrary rules of the inevitably imperfect decisions of Government officials; they offer countless temptations to evasion or violation; they require a vast administrative apparatus. All these reasons make them repugnant. Although such controls may be unfortunately popular when they are not in effect, the appeal quickly disappears once people live under them."

One need ask only the simple question: Is there any reason why mandatory controls as to foreign direct investment are more likely to work in a pragmatic sense or less likely to be repugnant to our system? It is our firm conviction that direct controls under the foreign direct investment program are certain to fail not only for some of the same reasons cited by the President's Council but because, as we have pointed out separately, they are addressed to an international scene involving the most complex elements one can imagine and having an impact on foreign governments and foreign entities as well as the interrelated factors of international commerce.

Reasons for commenting on travel restrictions.—Obviously from the standpoint of business spokespersonship, we believe that we can bring more experience, more knowledge and background to the Committee on the subject of the foreign direct investment controls than is true in the case of the Administration's proposals to restrict foreign travel by Americans. Moreover, there would be an understandable temptation for an organization such as MAPI to treat the tourism proposals of the Administration as more of a nuisance than anything else and therefore address ourselves only to other aspects of the Administration's program. But we reject this temptation because it is our firm conviction that the philosophy which pervades the foreign direct investment control program is also present in the travel proposals which are directly before this Committee. And we do not believe that it is proper for the Institute cavalierly to say that the international travel controls can be lived with and all that needs to be done is to tinker with these proposals. We, therefore, submit criticisms and recommendations regarding restrictions on travel and travel expenditures.

Proposed Travel Tax and Tightening of Customs Treatment of Tourist Exemptions

Before proceeding to a more detailed consideration of the proposals before this Committee regarding travel and travel expenditures, let us state briefly our broad conclusions as to these recommendations.

As indicated in the introductory section of this statement, we feel that both the program of direct private investment controls and the foreign travel provisions reflect a preoccupation with a controls approach to an effort to improve the balance-of-payments program. The announced goal of the Administration in respect to the statutory travel restrictions is a saving of \$400 million in the balance-of-payments account. Although \$400 million is by no means a small sum, in absolute terms it is a relatively modest goal in respect to the dimensions of our long-standing and continuing balance-of-payments problem. Moreover, it is our judgment that the actual saving will not approach the \$400 million goal. Any technical or gross saving must be offset by the cost of administration to government which we expect to be large, by the burden on the private citizen which will be substantial, and by the cost to American business. One is tempted to conclude that the only persons who will be deterred from travel as a result of these restrictions will be the low-income groups. The businessman who must travel will travel. The persons of reasonable to affluent means will undoubtedly decide to pay the cost.