

How do you reconcile this justification with the proposal to levy a tax based on adjusted gross income if in fact what is spent abroad is no less costly to the balance of payments?

Dr. KENEN. If I understand your question, sir, it relates to the fact that a low-income family with very little adjusted gross income would not have to pay much tax and therefore would not be deterred from traveling.

As a matter of fact, that is why we suggested that there be a minimum travel tax at \$1.50 or \$2 so that someone with no or low adjusted gross income would still be subject to a tax deterrent.

Mr. COLLIER. But in justification of the statement you say it is no less costly to the balance of payments.

Consequently, what is spent by a person with a lower adjusted gross income and one with a higher adjusted gross income is, and I quote you, "No less costly to the balance of payments."

I am trying to reconcile the conclusion you reach in one instance and the proposal you offer in the other. In either instance it is no less costly to the balance of payments, and on that justification it would seem to me that this would tend to refute the concept of the adjusted gross income proposal.

Dr. KENEN. I am sorry, sir, I don't see the contradiction. What we are saying is that, in general, expenditure abroad is related to income and therefore a tax on income is a good substitute for a tax which one might try to collect on actual expenditure abroad.

Mr. COLLIER. Let me put it this way. If the purpose of any tax is to attack the balance of payments and if that is the justification, then most certainly the question of adjusted gross income, it seems to me, would not be a factor if we are talking about the need for a tax to deal with the balance-of-payments problem.

Dr. KENEN. All I can say in reply, sir, is that if I were compelled to pay a tax based on my adjusted gross income and related to the number of days which I spent abroad I should reconsider very seriously my plan to go abroad.

Mr. COLLIER. I have no quarrel with what the intent of this proposal is. I am merely suggesting that if we are to assume that we are dealing with the problem and that travel spending is no less costly to the balance of payments regardless of one's economic status, therefore it seems to me that this runs counterclockwise with your original statement.

One other question, Mr. Chairman, in your opening remarks, Dr. Kenen, you suggest, and again I have no quarrel whatsoever with the statement, that the war in Vietnam must take much of the blame for deterioration. However, it seems to me that at a time when the aid bill was repeatedly and annually before the Congress and at a time when 57 percent of the aggregate appropriation for aid was for military assistance, roughly 11 percent for technical assistance, and 32 percent for economic assistance, the ADA was one of the ardent supporters of the aid bill in the package and, therefore, I find a somewhat inconsistency in its support of the proposal when most of the funds involved were for military assistance at a time when some of us of a less liberal philosophy were not in accord with this package that you had to take each year on a take it or leave it basis, and I would have assumed from your statement that when military assistance ex-