

lesser points we made. The disclaimer was designed to cover any disagreement on some of those technical issues.

Mr. BUSH. Do you differentiate in here—if you did I missed it—between the exemption for Latin America in the President's proposal and the rest of the world?

Dr. KENEN. No, we didn't.

Mr. BUSH. This hemisphere.

Dr. KENEN. We did not. We based our own proposal on non-Western Hemisphere travel.

Mr. BUSH. In other words, don't you feel that the spending of a dollar in Latin America is just as detrimental to the balance of payments which we are trying to do something about as spending in Europe? I didn't follow this as carefully as I might and I just wondered if you addressed yourself in your paper to that part?

Dr. KENEN. In the first instance, sir, spending by travelers in Latin America is not as costly to the balance of payments. The administration is quite right on this point because, as is true of most less developed countries, Latin American countries spend almost all that they earn and a good part of it does flow back to the United States. They are not reserve-accumulating countries that acquire and hold dollars and then convert dollars to gold.

Mr. BUSH. Then come back to the part that comes to the United States. I think that really is the crux of the question.

Dr. KENEN. That is the basis for the discrimination written in other parts of the President's program—discrimination as between less developed countries, and essentially, Western Europe.

Few economists like discrimination by region, but there are times when it is the lesser of two evils. Further, sir, the alternative would be to discriminate against some parts of Latin America and not others for the simple reason that it would be extremely difficult to collect tax on money spent in Mexico because of our common boundary. We would then be discriminating in favor of Mexico and against Mexico's near neighbors, and it seems to me that this makes even less sense.

Mr. BUSH. That is all, Mr. Chairman.

Mr. HERLONG. Thank you. I would suggest to the gentlemen that in making the disclaimer at the start of his statement that I can understand it. There are differences within the organization even as far as our former colleague on this committee, Senator McCarthy, is concerned.

Thank you very much for your statement.

The committee will reassemble to 2 o'clock this afternoon when Mr. Bernard B. Smith will be the witness.

(Whereupon, at 12:08 p.m., the committee recessed to reconvene at 2 p.m., the same day.)

AFTER RECESS

(The committee reconvened at 2 p.m., Hon. Al Ullman presiding.)

Mr. ULLMAN. The committee will come to order.

Our first witness this afternoon is Mr. Bernard Smith.

Mr. Smith, we welcome you to the committee. Please identify yourself and proceed as you see fit.