should be specifically "earmarked" for this purpose; the U.S. Travel Service is best equipped to receive and utilize said receipts.

2. If Congress approves the proposed *foreign spending tax*, it should be truly "temporary" in nature and scheduled for expiration on October 1, 1969.

3. If the currently existing *duty-free provisions* are creating a serious drain on our balance of payments—a fact which we doubt in view of the estimate that the proposed reductions will result in a return of only approximately $40 million—then why not reduce the dollar amounts to zero?

4. Before Congress considers restricting foreign travel by U.S. citizens, it should emulate private industry efforts—such as those of the American Hotel & Motel Association—which stress the "positive" approach to balanced payments. A good first step would be full funding of the U.S. Travel Service.

The American Hotel & Motel Association is a federation of hotel and motel associations located in the fifty states, the District of Columbia, Puerto Rico, and the Virgin Islands; similarly affiliated with AH&MA are twelve "regional" hotel and motel associations and in excess of 90 "city" hotel and motel associations. The Association's membership numbers in excess of 6,000 hotels and motels containing in excess of 700,000 rentable rooms. The American Hotel & Motel Association maintains offices at 2211 West 57th Street, New York, New York, and at 777–14th Street, N.W., Washington, D.C.

While we do not deny the gravity of the balance of payments deficit being experienced by the United States, we question the measures proposed by the Administration to reduce this deficiency. We refer here to the cutbacks in foreign lending of banks by $500 million, the $1 billion reduction in foreign investment by U.S. capital, the reduction of the tourism deficit by $500 million and the $500 million reduction in government spending abroad.

The government has received plaudits for these "courageous" steps to defend the dollar. Courageous, yes, but only in the sense that it has the temerity to ask the private sector to absorb $2 billion of the cut while the government itself proposes to absorb only $500 million.

Proposals to Close the "Travel Gap"

Toward the end of reducing the travel deficit, the Administration has proposed the following:

(1) A permanent 5 per cent tax on international air travel from the U.S. and a similar but temporary tax on ship tickets;

(2) A temporary 15 per cent to 30 percent tax on the foreign spending by U.S. citizens in excess of $7.00 a day; and

(3) A sharp, permanent reduction in the amount of duty-free gifts a traveler can bring or send home.

The proposed restrictions do not apply to travel within the Western Hemisphere.

Our initial reaction to all this is—why the *sudden* concern about the travel gap? While the "U.S. travel account" shows a net deficit as far back as 1950, in 1968 we are told for the first time that we must take these drastic steps *immediately*, or else.

International Air Travel Tax

We are told that international air travel should be taxed at the same rate as is domestic air travel. Thus, in terms of equity, we are asked to accept the 5 per cent tax. But what does all this have to do with reducing the payments deficit?

The Secretary of the Treasury during the course of his recent appearance before this committee stated that a portion of the revenue expected from the proposed tax would be used for certain long-term measures to encourage travel to the United States by foreigners.

Therefore, if we follow this roundabout "cure," the 5 per cent tax will be extracted from U.S. citizens; a portion of the money derived will be spent—abroad(?)—to encourage an increasing number of foreigners to travel to the U.S.; and, the money spent by these foreign visitors will decrease the travel gap.

There are several obvious questions which must be answered at this point. For example, what portion of the proposed 5 per cent tax on international air travel is to be allocated for the above-outlined program? Allocated to whom? For use in what manner? Under agency control? Which agency? A wise Administration would designate the U.S. Travel Service "coordinator" of these long-term measures and "earmark" the funds accordingly.