States, thereby eroding this nation's terms of trade still further—foreigners will have less dollars with which to buy more expensive American goods.

The National Chamber is well aware of the gravity of the current balance of payments situation. The organization's members believe that the long term solutions will not be found by applying policies in restraint of trade or travel to either side of the international payments ledger. Insofar as private sector debits or credits on the international accounts are concerned, the National Chamber urges that priority be given to attempts to increase foreign travel to the United States. The National Chamber also submits that insofar as the administration wishes to reduce overseas travel, there are already ample indications that a significant portion of the tourist public would respond to a program of *voluntary* restraint. While this would not contribute to a long term solution of the balance of payments problem, a voluntary program would be less likely to trigger retaliatory policies against the United States by foreign governments.

STATEMENT OF CHICAGO ASSOCIATION OF COMMERCE AND INDUSTRY

The Chicago Association of Commerce and Industry is opposed to President Johnson's January 1, 1968 statement outlining a program of action on the balance of payments problem.

The Association feels that the President's program does not come to grips with the major causes of the balance of payments problem. The balance of payments problem is the result of inflationary policies, including excessive government spending at home, which increases the price of our products. This in turn makes it more difficult for American companies to export and easier for foreign companies to sell in the United States and thus increases the outflow of dollars and contributes to our balance of payments deficit. Our government's overextension and over-commitment abroad, and the spending entailed thereby, is the second cause of the crisis.

The United States has had a balance of payments deficit in every year since 1950, except in 1957 when the Suez crisis resulted in increased purchase of petroleum from the United States.

The Association recognizes that the sharp deterioration of our balance of payments in the final quarter of 1967 requires prompt action. However, the President's proposed program of controls on private foreign investments, border taxes and taxation of foreign travel do not offer a long-range solution to our balance of payments problem. In fact, the President's proposals could injure American industries' competitive position abroad and, as a result, our balance of payments problem could increase.

The Association's comments with respect to the President's specific proposals are set forth below.

TRAVEL TAX

The Chicago Association of Commerce and Industry is strongly opposed to the proposed tax on foreign travel, and the reduction of the duty-free exemptions.

These foreign travel restriction will cause economic barriers between United States citizens and infringe on their right of freedom to travel and they also will discourage the exchange of ideas between peoples of the world.

The administration and enforcement of the proposed travel tax will be extremely difficult, if not impossible, and will have many loopholes.

The restrictions of foreign travel by United States citizens may result in retaliatory action by other countires, such as aircraft order cancellations and restrictions on travel to the United States by foreign citizens, which could cause substantial damage to the United States economy. The United States economy also would be damaged by the loss of sales in travel-related fields. American businessmen will be taxed on foreign travel necessary to obtain foreign markets for American goods and services. Accordingly, United States exports will be affected by the travel tax.

At best, the foreign travel restrictions may result in minor, temporary relief of the symptom, but they will not attack the basic causes of the balance of payments problem.

The Association recommends that the United States Government take a positive rather than a negative approach to the "travel gap" problem. This may be accomplished by an improved Federal program designed to encourage foreign travel to the United States.