"Why do they pick on people? Can't they tax some luxury imports and cut them down, instead of restricting citizens?"

"Why don't they cut out those billion-dollar Foreign Aid handouts which seem to go on forever?"

"How can U.S.A. be the leader of the FREE world, when our own people aren't free? This will make us a second-class country."

"What's to prevent people going to Montreal and buying their European trip up there?"

This is what they said.

TOUR ARRANGEMENTS, INC.,
New York, N.Y., March 6, 1968.

Hon. WILBUR D. MILLS,
Chairman, House Ways and Means Committee,
Washington, D.C.

DEAR MR. MILLS: For many years the gold and dollar reserves of the United States have been declining and these are now reduced to dangerously low levels. Clearly something must be done about this problem; and it needs to be done now! However, there is no justification for singling out tourism as the target for balance of payments rectification. American investments abroad and the Government's own foreign expenditures are largely responsible.

The growth of American tourism has been matched and even exceeded by the growth of tourism in other prosperous countries. That these foreign tourists have chosen to come to the United States in relatively small numbers is largely our fault. We have made no real effort to bring them here! Although it will not solve the problem, attracting a larger proportion of foreign tourists to the United States will tend to reduce the dollar drain. On the other hand, the proposed taxes on American travel will, I believe, accomplish little except to make American travellers unhappy. While they may produce more revenue, they can even increase the dollar drain.

Of the three pieces of legislation submitted to The Congress in relation to tourism and travel, the extension of the 5% domestic air tax to international air and steamship travel is not seriously objectionable. However, its purpose should be to secure revenue and should be judged accordingly.

The second proposal, the tax on travel outside of the Western Hemisphere, viewed from the national interest is extremely undesirable. It is discriminatory; it infringes on one of the basic liberties; the process of collection can only be most unpleasant and time consuming for the traveller. This particular tax is bound to be considered unreasonable, and unfair, wholly unacceptable to the travelling public. Furthermore, this tax is easy to evade. To avoid or minimize payment, the traveller has only to understate the actual amount spent on his trip. And it is simple to conceal such action beyond any possible hope of discovery by tax examiners. Working as I did for so many years with European experts in the field of foreign exchange control, I know that it is most difficult to control illegal movements of funds. To mention a few of the possibilities; any person or corporation holding foreign exchange balances can readily use these to cover tourist expenditures. For example, it is quite impossible for American tax examiners to obtain information on accounts in Swiss banks. Transfers of funds under the guise of gifts or payments of private debts to friends or relatives living abroad are completely uncontrollable by the Treasury and cannot be verified. Other devices include understatement of receipts from foreign sales, overstatement of the cost of foreign purchases (by a business), transfers of funds for a fictitious purchase, advances of funds by foreign correspondents, foreign associates or even friends or relatives. There is no limit to the possibilities; all are safe! To impose an unpopular tax which is almost unenforceable, is to encourage lawlessness. Legislation which encourages lawlessness is bad legislation. Also, it follows that this proposed tax will be excessively expensive to collect. Any attempt to enforce compliance will require extensive and rigid foreign exchange regulations. These the United States dare not institute.

The willingness of foreign individuals and governments to hold dollars balances and the position of the dollar as an international monetary medium depends on the absence of such restrictions.

Many of our closest allies and neighbour countries are to an unusual degree dependent on the American tourist for their foreign exchange earnings. True, these are mostly in the Western Hemisphere, and it is no doubt for this reason that travel to this area is excluded from the tax. Yet, other countries outside of