3. The Government must accept its developmental role, and participate actively in bringing industry together to develop a vacation package that will fulfill the foreigner's exciting dream of America.

4. The Government, in the field of tourism and other aspects of international trade and investment must develop an essential element which heretofore has been missing—consistency. This is the way to guarantee and enhance our taxpayers' investment in these international programs.

5. Congress, instead of concentrating further on ways to keep the American traveler home, should immediately explore other available legislative means for bringing our international payments into closer balance.

Insofar as tourism is concerned, I venture to suggest that the $500 million improvement in travel balance of payments which is the administration's goal will be achieved without the enactment of the proposed travel expenditures tax for the following reasons:

(i) The drain of $500 million created by Expo 67 will be reduced by at least 50 percent this year.

(ii) Because of the confusion created by the administration's travel proposals, it has been estimated that Americans will spend $250–$300 million less than anticipated in 1968 for overseas travel.

(iii) If the committee adopts the OECD recommendations for minimum duty-free allowances and sets a minimum of $50, the improvement in balance of payments should be about $50 million.

(iv) Finally, if the recommendations of the McKinney report are adopted and immediately put into effect, it is estimated in the report itself that the improvement in the balance of payments will be more than $150 million this year.

I think we can assure freedom of travel, freedom of choice of destination, for our citizens without imposing this restrictive tax, and I thank the committee for permitting me to present my views on these important problems.

Mr. ULLMAN. Thank you very much, Mr. Martin. Without objection the various exhibits at the end of the statement will be included in the record.

(The exhibits referred to follow:)

EXHIBIT 1

THE WHITE HOUSE
WASHINGTON

SEPTEMBER 25, 1967.

As International Tourist Year draws to a close, it is fitting that we rededicate ourselves to the important task of promoting international goodwill through travel.

This is no small undertaking. And it is worthy of our highest efforts and the unqualified cooperation of all nations. International travel helps satisfy a basic urge in man to learn more about his neighbor in a world which the jet age is making increasingly smaller.

For the first time in history, millions of people have the opportunity to visit distant lands and examine other societies and cultures. World travel lights the way to world understanding. As we advance toward a new decade in which once-distance travel becomes commonplace, let us always hope that our journeys to faraway lands are journeys to a more peaceful, friendly world.

LYNDON B. JOHNSON.

EXHIBIT 2

EXCERPT FROM PRESIDENT'S ECONOMIC REPORT (P. 167)

TABLE 26.—U.S. BALANCE OF PAYMENTS, 1961–67

[In billions of dollars]

Type of transaction	1961	1962	1963	1964	1965	1966	1967 1st 3 quarters[1]
Balance on goods and services	5.5	5.0	5.9	8.5	6.9	5.1	5.4
Balance on merchandise trade	5.4	4.4	5.1	6.7	4.8	3.7	4.3
Military expenditures, net[2]	−2.6	−2.4	−2.3	−2.1	−21.	−2.8	−3.1
Balance on other services	2.6	3.1	3.1	3.9	4.2	4.3	4.1
Remittances and pensions	−.7	−.8	−.9	−.9	−1.0	−1.0	−1.4
Government grants and capital, net	−2.8	−3.0	−3.6	−3.6	−3.4	−3.4	−4.2
U.S. private capital, net	−4.2	−3.4	−4.5	−6.5	−3.7	−4.2	−5.1
Foreign nonliquid capital, net	.7	1.0	.7	.7	.3	2.5	3.9
Errors and omissions	−.9	−1.1	−.3	−.9	−.4	−.3	−.9
Balance on liquidity basis	−2.4	−2.2	−2.7	−2.8	−1.3	−1.4	−2.3
Plus: Foreign private liquid capital, net[3]	1.0	−.2	.6	1.6	.1	2.4	[4].9
Less: Increases in nonliquid liabilities to foreign monetary authorities[5]		.3	[6]	.3	.1	.8	[4]1.4
Balance on official reserve transactions basis	−1.3	−2.7	−2.0	−1.5	−1.3	.2	−2.9
Gold (decrease +)	.9	.9	.5	.1	1.7	.6	[4].2
Convertible currencies (decrease +)	−.1	[6]	−.1	−.2	−.3	−.5	[4].2
IMF gold tranche position (decrease +)	−.1	.6	[6]	.3	−.1	.5	([4][6])
Foreign monetary official claims (increase +)	.7	1.2	1.7	1.4	.1	−.8	2.6

[1] Average of the 1st 3 quarters at seasonally adjusted annual rates, except as noted.
[2] Military expenditures less transfers under military sales contracts.
[3] Includes changes in Treasury liabilities to certain foreign military agencies during 1961–62 and to international nonmonetary institutions.
[4] Average of the 1st 3 quarters on an unadjusted annual rate basis.
[5] Included above under foreign nonliquid capital.
[6] Less than $50 million.

Note: Detail will not necessarily add to totals because of rounding.

Source: Department of Commerce.

EXHIBIT 3

EXCERPT FROM PRESIDENT'S ECONOMIC REPORT (P. 171)

TABLE 27.—U.S. BALANCE OF PAYMENTS: CAPITAL TRANSACTIONS, 1961–67

[Billions of dollars]

Type of capital transaction	1961	1962	1963	1964	1965	1966	1967 1st 3 quarters
U.S. private capital, net	−4.2	−3.4	−4.5	−6.5	−3.7	−4.2	−5.1
Direct investment	−1.6	−1.7	−2.0	−2.4	−3.4	−3.5	−2.9
New foreign security issues	−.5	−1.1	−1.2	−1.1	−1.2	−1.2	−1.6
Other transactions in foreign securities[2]	−.2	.1	.1	.4	.4	.7	.5
U.S. bank claims	−1.3	−.5	−1.5	−2.5	.1	.3	−.7
Other claims	−.6	−.4	.2	−1.0	.3	−.4	−.3
Foreign nonliquid capital, net	.7	1.0	.7	.7	.3	2.5	3.9
Direct investment	.1	.1	[3]	[3]	.1	.1	.2
U.S. securities (excluding Treasury issues)	.3	.1	.3	−.1	−.4	.9	1.3
Long-term U.S. bank liabilities	[3]	[3]	.1	.2	.2	1.0	1.1
Other[4]	.3	.8	.4	.5	.4	.5	1.3
Foreign nonliquid capital, net	.7	1.0	.7	.7	.3	2.5	3.9
Plus: Foreign private liquid capital, net[5]	1.0	−.2	.6	1.6	.1	2.4	[6].9
Less: Increases in nonliquid liabilities to foreign monetary authorities[7]		.3	[3]	.3	.1	.8	[6]1.4
Equals: Foreign capital excluding official reserve transactions, net	1.7	.5	1.3	1.9	.3	4.1	3.3

[1] Average of the 1st 3 quarters at seasonally adjusted annual rates, except as noted.
[2] Includes redemptions.
[3] Less than $50,000,000.
[4] Includes certain special Government transactions.
[5] Includes changes in Treasury liabilities to certain foreign military agencies during 1961–62 and to international nonmonetary institutions.
[6] Average of the 1st 3 quarters on an unadjusted annual rate basis.
[7] Included above under foreign nonliquid capital.

Note: Detail will not necessarily add to totals because of rounding.

Source: Department of Commerce.

Expo. U.S. travel expenditures, which had been increasing on the average about 10 percent a year, jumped about 20 percent (or $500 million) in 1967. The acceleration was accounted for by tourist spending in Canada, which rose more than 50 percent, reflecting the attraction of Expo 67. Meanwhile, U.S. receipts from travel expenditures, which has been increasing about 15 percent a year, rose only about 4 percent last year. There was no increase in receipts from Canadians, who usually contribute one-third of U.S. travel earnings.

Mr. ULLMAN. Are there questions?

Mr. CURTIS. Yes.

Mr. ULLMAN. Mr. Curtis.

Mr. CURTIS. First, let me compliment the gentleman for what I think is an excellent paper which brings to our attention a lot of data, some of which I have been requesting.

Having said that, now I pick up the one area where I think we possibly have a difference of opinion. But, first, can you give us any data, and provide it for the record later, on how much was spent in the year 1967 in the private sector for promoting tourism in the United States? This would include the steamship lines, air lines, and other groups.

I know that quite a bit is spent, but no one has even hazarded a guess as to how much.

Mr. MARTIN. I would not hazard a guess right now, but I will try to collect that data for the committee from, as I understand it, the foreign carriers and tourist interests as well as the Americans.

Mr. CURTIS. They are the ones that immediately come to my mind but undoubtedly there are others who spend. I am trying to find out how much is spent in the private sector to encourage tourists to come into the United States.

I am interested, of course, in relating 1967 expenditures to those of previous years, just as you have given us very good figures on the increase of persons coming to the United States over the years.

Now I am interested in what is spent to encourage the increased number of people. I was really amazed to see the great increase from France on page 7. Am I not correct that the number of travelers from France was 62,400 in 1966 and 115,655 in 1967? This relates probably to some increased endeavor on the part of some people to encourage this increase.

Mr. CONABLE. Will the gentleman yield?

Does it also relate to Expo '67?

Mr. CURTIS. That could be. They could have been coming to Canada and then dropping down here. That may be, but still these very interesting figures on page 7 must have been behind them a great amount of effort.

Mr. MARTIN. I think part of it is due to visitors to Expo who then came into the United States, but I think it is also due to the interest on the part of the French people to visit this country, and a word should be said about what the U.S. Travel Service is doing with their office in Paris.

Mr. CURTIS. I will get to that, please. I want to find out first what is going on in the private sector. I am unimpressed with this business of immediately going to the Federal Government on the assumption that the Government is a solution to all problems.

Believe me, this is the trouble that we are experiencing right now in inflation and why we have our balance-of-payments situation. Everybody is coming to the Federal Government to solve their problems.

You want to increase the USTS to $30 million or whatever the figure is. I want to find out first what is being done in the private sector, what the increases in promotion expenses have been. I know they have been considerable, but it is interesting to me that all the people in this business of getting tourists to come to the United States, who have testified, for which I commend them and commend you, don't provide us a good insight into what you have been doing. I think you probably have a great record.

Mr. MARTIN. I will endeavor to get some figures for you on that. I think that we are in a position to do so.

(The following information was received by the committee:)

In the time allowed by the Committee it has not been possible to obtain complete data on the spending by the private sector for the promotion of travel to the United States. However, the following information may be useful in indicating the scope of such spending:

Expenditures by *28 U.S. airlines* outside the United States (but including the Western Hemisphere) for the years 1966 and 1967 amounted to:

	1966	1967	Percent of change
For media advertising	$8,069,675	$10,775,946	+33
For promotional materials	2,786,025	3,059,695	+10
For general sales expense	20,616,083	26,083,435	+27
Total	31,471,783	39,919,076	+27

The 1967 and the projected 1968 advertising and promotion expenditures by *12 major U.S. trunk and international airlines* in countries *outside the Western Hemisphere,* and not including general sales expense, are:

Total advertising and promotion expenditures

1967	$10,897,172
1968	16,684,842
Percent of increase	53

The total 1966 expenditure for promotion of travel to the United States by member carriers of the European Airlines Research Bureau (which includes the national airlines of Western European countries) has been estimated at $4.2 million. This figure does not include expenditure for general sales expense which could be apportioned to the promotion of travel to the U.S.A. The figures for 1967 are not immediately available. However, EARB member airlines will spend an estimated $19 million for "Visit U.S.A." promotion in 1968 and 1969. This estimate shows a substantial increase, and it should be noted that it is for media advertising and sales promotion materials and does not include general sales expense. In addition, considerable sums are spent to promote travel to America by non-European carriers such as Japan Airlines, Quantas, Air India, etc.

An overall estimate for promotional expenditures on "Visit U.S.A." by steamship lines is not immediately available. However, an indication of the effort being made by these carriers is shown by the expenditures in countries such as France, Britain, Belgium and Germany by one carrier—The French Line—which operates only one ship on its transatlantic service. Expenditures for advertising and promotional materials (not including general sales expense) from 1964 through 1968 are as follows:

1964	$200,000
1965	220,000
1966	260,000
1967	300,000
1968	500,000

In addition, The French Line made the following expenditures through the company's travel agency for the promotion of tours, primarily to North America.

1964	$40,000
1965	75,000
1966	90,000
1967	150,000

Similarly, substantial expenditures to promote travel to the United States are made by sea carriers such as Holland-America, Cunard, Italian, United States, American Export-Isbrandtsen, Swedish-American, Norwegian-America, Matson, P & O, etc.

It is estimated that in 1968 an additional $5,000,000 will be spent abroad on "Visit U.S.A." promotion by commercial operators such as bus companies, car rentals companies, hotels, tour operators, etc.

Mr. CURTIS. I think the best way is to leave the record open, if you can get the information, but put it in the context of the other witnesses. Namely, what are the expected amounts of money to be spent for 1968 and 1969, and then what will be the impact of the Government program of cutting back on capital expenditures abroad on this very planned expansion.

I think we need to know it because here the Government, the administration is doing something strange. On the other hand, in its package program it is saying:

We are going to cut back on private investments abroad, but in this area of encouraging travel to the United States we are asking Congress to increase what Government can spend abroad.

Frankly, I am not about to substitute Government dollars for private dollars for another basic reason. I just know from experience that the private sector spends money with a great deal more intelligence than the Government because there is the discipline of the marketplace. The private sector spends dollars in order to get dollars back.

A bureaucrat in Government may be well intentioned in his expenditures, but he is not under this kind of discipline. If anything, the discipline that he is under is to get rid of the money. So private promotional spending abroad is the kind of data, if you can provide it, which would be helpful. I think we will just leave the matter there.

One other point. I notice on page 19 in arguing your case that you derogated the United States by referring to the fact that we spent only $3 million for travel promotion and little Ireland spent $10 million.

I would be curious to know what Ireland spends in the private sector to encourage people to come to Ireland. I suspect not very much. Then I would like to see what does Ireland as a nation, as a society, spend—both governmental and private—in relation to what the United States spends—governmental and private. Then we have the full picture. Then we know what we are talking about.

But let's not go on the assumption that, because Ireland spends $10 million through its Government, therefore, Ireland is doing a good job and because we only spend $3 million through our Federal Government, the United States isn't doing much in the area of encouraging people to come to this country so that we will remain the No. 1 host nation, which I am very pleased you point out.

You see what I am getting at? I am not trying to argue the point, but let us get the data first. Then I hope that the people who are

continuing to invest in getting tourists to come to this country are doing so because they are getting a return on their buck. I see no reason why they can't continue to hope to get a good return because you point out a very good tourist potential. How many millions did you say?

Mr. MARTIN. 13 million people from West Europe.

Mr. CURTIS. Yes. This is our potential.

The other thing I would observe is that as the standard of living of Western Europe continues to go up and as it continues to rise in Japan and other nations the number of people that would potentially come to the United States rises directly in proportion.

You will agree, won't you, that this is the key factor in increasing tourism in the United States—the increased standard of living of these people?

Mr. MARTIN. It is one of the two key factors as far as encouraging foreign travel to the United States or encouraging Americans to visit abroad.

Most of the research studies that have been done by Opinion Research, and Gallup, and others show that education and interest is the No. 1 factor, characteristic, of the foreign traveler really, whatever his nationality is.

The second necessity of course is the means, which is related to the standard of living.

Mr. CURTIS. Of course I would argue just a little bit that the increased education is almost concomitant with the increased standard of living, so you can't really get it through this one factor of education.

I am not trying to argue this one way or another. I am just trying to put it out in the record for the purpose of discussion.

Mr. MARTIN. They are related, but there are some people who have the means to travel abroad who are not particularly interested in that sort of thing.

Mr. CURTIS. I again say I appreciate your testimony. I think it was excellent. This area of private spending is one that I would like to get further data on and maybe you can make a case. Maybe the U.S. Travel Agency can do something, but frankly, I would have to see it to believe it.

The main thing I think we need to do is get the Federal Government to stop doing some of the things that they are doing, namely, with regard to visas and other related requirements. That doesn't call for spending money.

Actually it calls for the Government to stop doing some of the things it is doing to deter potential tourists from coming to this country. If you don't have to do all this investigation you save the time of the personnel that is engaged in that pursuit.

You could relate visas to travel packages in the United States, and to conventions that might be held in the United States in a way that could shorten all of the paperwork presently involved in the visa. Am I not right in this?

Mr. MARTIN. Certainly cutting down on what the foreigners regard as red tape in getting their visas and so on would help, but I think we have to realize that there is a developmental role which the Government has to play.

Mr. CURTIS. What is that? That is what I want to know. You say that and that is begging the question. Maybe there is. I think the Government probably has a role to play, but I would like to identify what it is and not beg the question.

Mr. MARTIN. Well, I would like, if I may, to submit some more data on this.

Mr. CURTIS. Please do.

Mr. MARTIN. But I just make this comment: that the United States is not a classic tourist country in the sense that France or Italy are classic tourist countries. We have people abroad who want to come. We know from surveys and so on that they want to come. But they have to be sold and sold in large measure, and to do this effectively and fast the Government has to, with a national tourist organization which has sufficient——

Mr. CURTIS. You are begging the question. You say that about government and this is what I am saying we should discuss. Does the Government do this, or isn't this exactly what the private sector is doing, and why aren't they better able to do it?

I just don't understand this idea that you have that a human being, when he starts operating in a political bureaucracy, all of a sudden becomes wiser than the same human being acting in the marketplace.

As one who does have pride in my profession, politics, and I do, I say government is just a limited mechanism. It is a powerful mechanism, but you have to present reasons why human beings must operate under this kind of structure in order to hit at the problem of selling these people abroad to come over here.

I think the arguments are all the other way, that the last place you want to go to is the government. It will foul you up. Believe me, I have seen it happen.

Mr. MARTIN. To succeed in this it requires government-industry cooperation.

Mr. CURTIS. Why? Let's not delay it here. You prepare a statement, if you would, for the record as to why you think the Federal Government needs to get in here on this business of partnership. Let me again emphasize that the Government isn't a partner.

The Government is a servant, and I hope we don't ever talk in terms, of Government being a partner. We are a servant. We are no partner.

Mr. MARTIN. One last comment and then I will submit the rest of it in writing.

I think that we have already accepted the governmental role in areas applying to the balance of payments where it is important enough to get fast action, and I am thinking in terms of foreign trade and increasing our exports. The Government is playing a very large role.

Mr. CURTIS. And it has certainly fouled it up. This is what I have been trying to point out for years in the AID and other programs.

The healthy part of our dollar balance of payments is exports over imports. That is the private sector. It is our private investment abroad that is giving us good returns.

The fouling up is in the Government sector I would argue. Well, supply some of your considered views as to why you think Government can or needs to do some of this work. I frankly don't see it yet.

Mr. MARTIN. I appreciate the opportunity, Congressman, to file a statement on it.

Mr. CURTIS. Please do.

Mr. ULLMAN. Without objection the record will be held open a reasonable period of time for your statement.

(The following statement was received by the committee:)

STATEMENT RE ROLE OF FEDERAL GOVERNMENT IN PROMOTING FOREIGN TOURIST TRAVEL IN UNITED STATES

In my opinion the Federal Government must assume an important share of the responsibility for promoting visits by foreigners to the United States because of the national interest involved in improving our balance of payments. In addition to the economic benefits of "exporting" tourism, there are social, cultural and political benefits to the nation itself in having foreigners come and meet our people and see our country as it really is. Also, the unique structure of the tourism product makes it not an economically viable proposition for the private or commercial sector to finance the entire overall development of U.S. tourism, as part of their effort to sell their own specific travel merchandise.

In order to sell a visit to the U.S.A., we must compete in the market place in Europe and other areas with luxury items such as expensive jewelry, cars, fur coats, television sets, etc. If one of these latter items is priced at $1,000, the manufacturer can allocate, say, 5 percent of the price for advertising and promotional materials.

On the other hand, the receipts from a visit to the U.S., pricetagged at $1,000, are divided among many unrelated business recipients, from carrier to boot black. The carrier's share may be less than ⅓ of the total, and therefore, it is totally uneconomical to allocate promotional funds on the same basis as that for these competing luxury products. Therefore, there is far less promotional money per sales unit available. As indicated, this is because a large share of each tourist dollar goes to restaurants, hotels, taxis, theaters, shops, etc., none of which can afford to advertise and promote overseas tourism to the U.S. on their own. Hence, the aggregate travel income to the United States from foreign tourism is far more important to our national economy as a whole than it is to the various individual sectors of our transportation and travel industry. Thus, the Federal Government clearly must bear a large part of the advertising and promotional expense if we are successfully to attract additional large numbers of foreign tourists to this country.

In this regard, any federal tourist organization must have sufficient funds to promote an attractive image of the entire United States or large sectors thereof as a vacation land for foreigners. This is quite a different proposition from the image-making role of the United States Information Agency. Effective tourist promotion should consist of large scale advertising and public relations campaigns, backed up by promotional distributions to prospective travelers, carriers and foreign travel agents of specific, accurate and up-to-date information on travel in the United States. At the present time, a "knowledge gap" exists abroad on the specifics of travel in America, because the U.S. Travel Service simply has not had a large enough budget to do the job as thoroughly as is required.

A properly financed national tourist organization can also serve as a catalyst to bring together various private tourist interests for more effective joint promotions. Other functions would include activities such as representing the United States at international conferences, conventions, etc.

Against a background of this sort, a major national tourist promotional effort, combining private and U.S. Government efforts, can work to sell "Visit U.S.A." far more effectively and in far greater volume than at the present time. Experts in the field estimate any tourist conscious Government should invest between 3%–5% of foreign tourist income in advertising and promotional efforts. This yardstick would indicate that the U.S. Government should spend between $16.5 million and $27.5 million overseas for tourist promotion. This does not include promotion in Mexico and Canada, other important markets that require additional promotional funds.

Mr. ULLMAN. Mr. Martin, I am interested in knowing whether the private sector is really doing a promotional job in foreign countries

and in connection with your statement if you could elaborate I would appreciate it.

I happen to know that the 17 foreign airlines in the 17 countries represented that have travel bureaus are doing a whale of good job of promoting American travel overseas and in virtually all cases they are governmental agencies.

I know that this same situation is true in the nations of Europe and if you have some pertinent statistics that are available indicating just exactly what type of promotions country X has, from all of the various competing countries, and in comparison with what the United States is doing, both in the public and the private sector, this would be very helpful as far as I am concerned. I think this is basically what you are trying to get.

Mr. CURTIS. Yes. Let's see what it is.

Mr. MARTIN. We will try to prepare that.

Mr. ULLMAN. Are there other questions?

Thank you very much, Mr. Martin.

Mr. MARTIN. Thank you.

Mr. ULLMAN. Mr. Robert E. Short is our next witness.

We welcome you before the committee, Mr. Short. I know the great amount of effort that your organization has put into the Discover America program.

Would you please identify yourself, your organization, and your colleagues, and proceed as you see fit.

STATEMENT OF ROBERT E. SHORT, NATIONAL CHAIRMAN, DISCOVER AMERICA, INC., ACCOMPANIED BY JOHN R. KERR, EXECUTIVE DIRECTOR; AND JAMES C. GROSS, WASHINGTON REPRESENTATIVE

Mr. SHORT. Mr. Chairman, I am delighted that you would give us an opportunity to present our views to your committee this morning. May I first introduce my associates.

This is Mr. John Kerr, who is the executive director of Discover America, with offices in New York.

Mr. ULLMAN. We welcome you before the committee.

Mr. SHORT. And you are probably familiar with Mr. Jim Gross, who is the director of the National Association of Travel Organizations here in Washington.

Mr. ULLMAN. We welcome you also; again, Mr. Gross.

Mr. GROSS. Thank you.

Mr. SHORT. He also represents Discover America in terms of our Washington representation.

At the outset, I have filed with the committee a list of our directors and a list of our membership, and I am asked to read on behalf of the automobile industry members of our board this statement in advance of my testimony:

Representatives of the automobile industry on the board of directors of Discover America wish to be recorded as dissenting from the statement to be presented by the National Chairman of Discover America before the Committee on Ways and Means, House of Representatives, on February 29, 1966.

It is signed by Mr. Russell E. MacCleery, who heads the Automobile Manufacturers Association's Detroit office.

Mr. Chairman and members of the Committee on Ways and Means, my name is Robert E. Short. I am an attorney-businessman, residing in Minneapolis, Minn.

In May 1965, I was appointed by President Johnson national chairman, See The United States, pursuant to a joint resolution of the Congress. The resolution authorized and requested the President to issue a proclamation designating the years 1964 and 1965 as a period to see the United States and to invite private industry and interested private organizations to begin a nationwide effort which would encourage the American people and citizens of other countries to explore, use, and enjoy the scenic, historical, and recreational areas and facilities throughout the United States of America, its territories and possessions and the Commonwealth of Puerto Rico. It also authorized the President to appoint a national chairman to coordinate the efforts of private industry in carrying out the purposes of the resolution.

Subsequent to that appointment, Vice President Humphrey, as Chairman of the President's Cabinet Task Force on Travel, called together the leaders of the U.S. travel industry to address themselves to the problems that precipitated the mandate of the Congress. I participated with the Vice President as the President's appointee.

Out of that first meeting, Discover America was born—a New York nonprofit corporation organized by the leaders of the travel industry to promote travel by our citizens within the United States, its territories and possessions, and the Commonwealth of Puerto Rico, and to encourage others from around the world to come to our shores in increasing numbers.

The bylaws of our corporation provide that the Chairman shall be appointed by the President of the United States and serve at his pleasure.

Discover America operates on a $500,000 annual administrative budget, administered by a board of directors chosen from companies and associations that have a financial interest in the United States as a travel product.

Operating as a catalyst, as distinguished from an operating company, we maintain a small office staff in New York and a part-time associate in Washington, D.C. Since our inception in 1965 we have dedicated ourselves to the business of implementing the sense of the congressional resolution.

It was apparent from the beginning of our organization that the so-called travel gap in the balance-of-payments account is occasioned by reason of the fact that too many of our citizens chose foreign travel destinations, as distinguished from equally attractive travel destinations in their own country; this at a time when all to few foreign travelers were finding their way to American shores.

It was equally apparent from the beginning that our program could not be motivated entirely by the balance-of-payments problem. More was at stake than the integrity of the American dollar.

While we recognized the importance of that problem and the need then, as well as today, of keeping the dollar strong, it seemed to those of us associated with our program that the President, the Vice President, and the Congress had more than the balance of payments in mind when they asked for the appointment of a national chairman to encourage more people to see the United States.

To us, as well as to most people in public life, it was apparent that our citizens needed to know more about their own country if they were to continue in the future to govern themselves successfully.

Statistics revealed to us that the United States, from the standpoint of the travel habits of our people, was divided into four distinct regions and too few of our citizens moved from region to region.

Those statistics showed that more of our citizens were leaving the Northeastern part of our country for a foreign destination than the number who found their way from that region across the Rocky Mountains. The reverse of that proposition was equally true. Many more of our people traveled out of the country from the West than within our country from West to the East.

Statistics could be assembled showing what would be well known to this committee about the limited movement of our people between the North and the South. Far too few of our citizens in the North went South and the number from the South who found their way North was even less.

Startling to the leaders of our industry was the fact that over half of our people had never been farther away from home than 200 miles. To those of us associated with hotels it was embarrassing and distressing to learn that over half of our people had never been in a hotel overnight.

Even though the airlines in 1965 were experiencing their greatest year in history, less than 20 percent of our people had ever been on a commercial airliner. The statistics available then, and now, on the number of foreign visitors who found their way to American shores were and are disturbing.

Those of us in the travel business believe that the United States travel product is second to none in the world. While recognizing our affluence and regarding ourselves as successful entrepreneurs—able to sell our product competitively—we had to admit we were being outsold in terms of worldwide competition, not only with potential foreign customers but potential American customers as well.

Quite obviously, the task that Discover America assumed was enormous and complex. Essentially, we had a threefold problem:

To attract more foreign visitors to our shores; to persuade our own citizens who were not leaving their backyard barbecues to become travelers in order to learn more about the magnificence of our country and its institutions; and to induce a greater number of those Americans who were traveling to foreign destinations to forsake their trip and substitute a trip within their own country.

It was determined by our board that we would not, in the early months of our existence, apply ourselves to the entire problem. It was too big. It was our judgment that the problem as it applied to the domestic market should be attended to first. We reasoned that as we gained maturity and capability we would be able to tackle the rest of the world.

We launched our domestic program in 1965 by creating a symbol—a logo—that has become the hallmark of the U.S. travel industry. Our members and affiliated companies were the first to rally behind it. During 1966 they invested more than $165 million promoting travel around the Discover America logo and theme.

In 1967 that figure was substantially higher—well in excess of $200 million.

In April of last year we sponsored Discover America Vacation Planning Week, which the President proclaimed in response to a congressional resolution—to provide a point of focus for domestic travel promotion.

It generated support not only from our members but numerous interests not directly associated with our program, including tourism directors of many of our States, chambers of commerce; sponsors of festivals, auto shows and boat shows, department stores, banks, luggage manufacturers, photographic equipment manufacturers, travel agents, schools, youth organizations, and many others.

Also in 1967 we launched a public service campaign, with the cooperation of the advertising council and all advertising media that urged our people to discover America and gave some of the reasons why they should. More than 400 television stations, 1,100 radio stations, the television and radio networks, and more than 1,000 magazines and newspapers cooperated to provide in excess of 13 billion impressions with our logo attached in most instances.

Have we been effective? We are confident that we have.

Although the results of a comprehensive study of travel made last year in the United States will not be available for several months we do know that domestic travel is growing at a faster rate than the increase in our gross national product.

From 1965 through 1967 the GNP increased 14.8 percent. For the same period the value of the travel industry to the total U.S. economy increased by 17.7 percent.

From those statistics and others relating to specific segments of the travel industry we can deduce that we have persuaded many Americans who were not traveling to leave their barbecues to get out and discover their land, and that we have persuaded some Americans to travel in America in preference to foreign destinations.

We know from other studies that our people are traveling farther within the United States and staying longer.

Discover America discount fares introduced by the airlines as a result of their participation in our program attracted substantial numbers of first-time air travelers, particularly among our young people.

We know that travel by Americans to foreign lands is increasing at a lower rate than the increase in travel by foreign visitors to the United States, admittedly not in numbers but in percentages.

From 1965 through 1967 visitors to the United States from foreign countries, excluding Canada and Mexico, increased by 42.8 percent. For the same period travel by U.S. citizens to foreign destinations, excluding Canada and Mexico, increased by 25.9 percent.

We believe that if it had not been for the Discover America program our travel deficit today would be much higher.

In this year of 1968 we will expand our program into the foreign markets, while intensifying our domestic efforts.

Our member companies and associations will increase their travel promotions around the Discover America theme at home to more than $300 million.

Our own company program—basically Discover America Vacation Planning Time in April and our year-long public service campaign—will expand and will emphasize hard sell around a central theme that the United States is the "United States of Americans" and "this is your country . . . this year discover it for yourself."

We will increase our membership and institute a research program.

In cooperation with the U.S. Travel Service we will undertake a sales "blitz" in an overseas market this spring that will have an impact on the foreign market and will provide the foundation on which Discover America will build its international campaign.

You have heard testimony from others with regard to many positive measures that are planned to intensify the promotion of foreign travel to the United States.

Many of the measures contained in the report of the Government-industry task force headed by Ambassador McKinney came from the membership of Discover America.

Chapter 2 of the report states that airlines, railroads, bus companies, rent-a-car firms, and hotels—all our members—will reduce their rates by up to 50 percent for foreign visitors.

U.S. airlines will increase their budgets to accelerate the development of foreign travel to the United States. These proposals come from our members of the Discover America Corporation.

As to voluntary restraints, Discover America found from a random survey just completed that many U.S. companies are switching their sales incentive programs from foreign destinations to destinations within U.S. dollar areas. These involve many thousands of Americans and millions of dollars. Three companies alone reported switching from foreign to U.S. destinations involving a total of $4,100,000 in travel sales.

We believe that what we will do, what will be done under the Discover America banner and what others will do to persuade, by positive means, more Americans to travel in America and to persuade, by positive means, more foreign citizens to travel to America, will reduce our travel deficit by the $500 million goal set by the President.

The task will be easier, of course, if we get additional support from our Government.

We share the opinion expressed by the McKinney task force that our Government ought to be investing more to promote travel to America in the foreign markets, not to supplant but to supplement the efforts of the private sector.

Additionally, our Government can help to facilitate the movement of foreign visitors to the United States by simplyfying visa requirements, as proposed by the President and recommended by the McKinney task force, and by eliminating or lessening other barriers of like nature.

As to the specific proposals pending before this committee:

We recognize the necessity of protecting the integrity of the U.S. dollar. We support the President's efforts to do so. We believe, however, as expressed at our January board meeting in Puerto Rico and the U.S. Virgin Islands, that a continuation and expansion of present and proposed positive programs will more effectively accomplish that objective.

Following our January board meeting, we advised the President that we believe all people should have the right to travel as they choose, to or from America.

A copy of our communication to the President was forwarded to the Vice President, the Secretary of the Treasury and to Chairman Mills.

We believe that cooperation between our organization and all branches of our Government in a hard-to-sell campaign can and will this year reduce the travel deficit by the $500 million asked by the President of the United States.

(The attachments to the prepared statement follow:)

ATTACHMENT "A"

"DISCOVER AMERICA" PROGRAM ESTABLISHED IN 1965 IN RESPONSE TO CONGRESSIONAL RESOLUTION AND PRESIDENTIAL PROCLAMATION

[Public Law 88–416, 88th Cong., H.J. Res. 658, Aug. 11, 1964]

JOINT RESOLUTION Authorizing and requesting the President to proclaim 1964 and 1965 as a period to "See the United States," and for other purposes

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the President is authorized and requested to issue a proclamation designating the years 1964 and 1965 as a period to see the United States and its territories and to invite private industry and interested private organizations to begin in 1964 a nationwide effort which will encourage the American people to explore, use and enjoy the scenic, historical and recreational areas and facilities throughout the United States of America, its territories and possessions and the Commonwealth of Puerto Rico.

SEC. 2. The President is authorized to publicize any proclamation issued pursuant to the first section and otherwise to encourage and promote vacation travel within the United States of America, its territories and possessions, and the Commonwealth of Puerto Rico, both by American citizens and by citizens of other countries, through such departments or agencies of the Federal Government as he deems appropriate, in cooperation with State and local agencies and private organizations.

SEC. 3. The President is authorized to appoint a national chairman to coordinate the efforts of private industry in carrying out the purposes of this resolution. The national chairman shall serve without compensation from the Federal Government.

Approved August 11, 1964.

LEGISLATIVE HISTORY

House Report No. 1022 (Committee on the Judiciary).
Senate Report No. 1149 (Committee on the Judiciary).
Congressional Record:
Volume 109 (1963): Dec. 17, passed House.
Volume 110 (1964): July 2, considered and passed Senate, amended.
July 29, House concurred in Senate amendments.

ATTACHMENT "B"

DISCOVER AMERICA, INC.

Total Membership, 14,722.
Mr. Robert E. Short, National Chairman.

BOARD OF DIRECTORS

Air Transport Association of America, representing 38 airlines

Mr. Norman J. Philion, Vice President–Traffic Air Transport Association.
Mr. F. J. Mullins, Senior Vice President–Marketing, American Airlines, Inc.
Mr. L. T. Ferguson, President, Lake Central Airlines, Inc.
Mr. James Montgomery, Vice President–Passenger Sales, Pan American World Airways, Inc.

Aircraft & Aircraft Engine Manufacturers, representing 5 companies

Mr. Robert J. Murphy, Jr., Vice President–Washington Representative, The Boeing Company.

American Hotel & Motel Association, representing 6,514 establishments

Mr. Herbert C. Blunck, Senior Vice President, Hilton Hotel Corporation.

Association of American Railroads, representing 231 railroads

Mr. James A. Schultz, Vice President–Public Relations, Association of American railroads.

American Petroleum Institute, representing 7,742 companies

Mr. W. H. Burnap, Group Vice President, Continental Oil Company.
Mr. William H. Miller, Vice President–Marketing, American Oil Company.
Mr. W. R. Williams, Chief Executive Officer and Chairman of the Board, Smith Oil Company.
Mr. Grant H. Young, Senior Vice President, Marathon Oil Company.

Automobile Manufacturers Association, representing 11 companies

Mr. Fred W. Adams, Assistant to the Vice President–Marketing, American Motors Corporation.
Mr. Henry C. Botsford, Advertising Manager, General Motors Corporation.
Mr. E. Harwood Rydholm, Vice President–Civic Affairs, The Chrysler Corporation.
Mr. Allen Merrell, Vice President–Civic & Governmental Affairs, Ford Motor Company.

Rubber Manufacturers Association, representing 180 companies

Mr. Ross Ormsby, President.

The Hertz Corporation

Mr. Gerald A. Shapiro, Vice President–General Manager, Rent-a-Car Division.

FORMER BOARD MEMBERS

Mr. R. L. Mangold, Vice President—Sales & Service, United Air Lines, Inc.
Mr. Thomas B. McFadden, Vice President—Marketing Programs, Trans World Airlines, Inc.
Mr. J. M. Slichter, Vice President—Government & Industry Affairs, Western Air Lines, Inc.
Mr. Russell Stephenson, Executive Vice President, Mohawk Airlines, Inc.
Mr. Robert J. Wright, Vice President,—Sales, Northwest Airlines, Inc.
Mr. Lloyd B. Carswell, General Manager—Puerto Rico, The Sheraton Hotel Corporation.
Mr. W. W. Bryan, Senior Vice President, Humble Oil & Refining Company.
Dr. A. B. Hersberger, Senior Vice President, Atlantic Richfield Company.
Mr. N. B. Ingram, Vice President—Marketing, Sunray DX Oil Company.
Mr. J. Handly Wright, Vice President—Public Relations, Association of American Railroads.
Mr. Richard E. Forbes, Director of Advertising, Chrysler Corporation.
Mr. Gail Smith, Director of Advertising & Market Research, General Motors Corporation.
Mr. R. A. Petersen, President, The Hertz Corporation.

ATTACHMENT "C"

GROWTH OF TRAVEL TO AND WITHIN UNITED STATES AS RELATED TO U.S. GROSS NATIONAL PRODUCT

[Dollar amounts in billions]

	1965	1967	Percent increase, 1967 over 1965
Gross national product (United States) [1]	$683.9	$785.1	14.8
Contribution of travel industry to gross national product [2]	$36.0	$42.4	17.7
Visitors to United States [3] (excluding Canada and Mexico)	1,040,002	1,485,499	42.8

[1] Department of Commerce, Survey of Current Business.
[2] Estimate, Child & Waters, Inc.
[3] USTS.

ATTACHMENT "D"

REPORT TO THE PRESIDENT OF THE UNITED STATES FROM THE INDUSTRY-GOVERNMENT TASK FORCE ON TRAVEL, FEBRUARY 1968—SUMMARY, CHAPTER 2, PROMOTION

A campaign to convince potential travelers to the U.S. must be mounted immediately. This campaign should stress that visits to the U.S. are no longer prohibtively expensive but within the means of the budget minded international traveler. Substantial cost reductions as they apply to transportation and housing should constitute a part of the campaign. Additionally, visitors should be assured their time spent in the U.S. will be pleasant, comfortable, memorable.

U.S. airlines (12) and Foreign Flag airlines (16) have indicated they will increase budgets to promote travel to the U.S. and accelerate the development of European travel to the U.S.

The two leading international travel organizations have indicated they will encourage two-way traffic to cooperate with the enlarged U.S. promotional effort.

Five U.S. travel organizations will urge foreign-born members to promote "Visit USA" promotions; will request private industry to allocate larger promotion budgets and supply travel literature; will spearhead participation by U.S. travel agents and tour operators to "Promote America Crusade in Europe"; will produce magazine, industrial handbook and tours, film festivals and seminars on travel for Japanese and Chinese potential visitors.

Seven private U.S. firms will intensify their European campaigns, increase their budgets to promote "Visit USA", reduce fares and rates and launch programs in Canada toward this end.

In the news and entertainment media, a series of public service commercials will be planned to encourage Americans of foreign descent to invite friends and relatives to visit the U.S. during 1968–69. U.S. entertainment personalities of foreign birth will be enlisted to participate in film shorts in their native language for distribution to overseas TV outlets, radio and film operators. Two new magazines will cooperate with the Task Force to encourage tourism from abroad, using their present resources and by implementing new marketing and research techniques.

[Copy of cablegram]

Hon. LYNDON B. JOHNSON,
President of the United States,
The White House, Washington, D.C.

DEAR MR. PRESIDENT: I am forwarding a policy statement passed today by our Discover America Board of directors concerning present and contemplated measures to reduce the "travel gap" in our balance of payments.

As you know, we have devoted—and will continue to devote—our wholehearted efforts to reduction of that deficit. We support your efforts toward keeping the dollar strong. We believe that the present voluntary approach, coupled with increased American promotion and salesmanship both here and overseas, is the best way to close the travel gap.

In this regard the Discover America Board has set forth in our statement our readiness to expand our private industry promotional activities—heretofore most largely domestic—to foreign markets as well. I have taken the liberty of sharing this and attached statement with Vice President Humphrey, Secretary Fowler, Chairman Mills and Ambassador McKinney.

With all best wishes,

ROBERT E. SHORT,
National Chairman, Discover America Inc.

DISCOVER AMERICA INC. POLICY STATEMENT ON TRAVEL

Discover America, Inc. recognizes that the administration considers the balance of payments deficit to be of such serious proportions as to require immediate corrective measures. In this connection, the President has requested that Americans temporarily defer nonessential travel outside the western hemisphere and has appointed a special task force, chaired by Ambassador Robert McKinney, to examine new ways to increase travel to the United States by citizens of other countries.

Since its inception in 1965, Discover America Inc. has supported a policy of travel freedom by all citizens. It still adheres to the belief that travel makes its greatest contribution to social and economic progress when there is complete freedom of travel with a minimum of restraint on the choice of destination. Improving our Naton's balance of payments position requires vigorous efforts to increase our earnings from the sale abroad of goods and services, including travel to the United States by foreign visitors. Travel to the United States cannot be increased while United States travel abroad is being restricted, any more than exports can be expanded while imports are being restricted. An expanded and sustained growth of foreign visitor travel to the United States can be achieved as long as the philosophy of travel freedom is honored.

The broad of directors of Discover America Inc. pledges to accelerate and expand its efforts to encourage travel within the United States and to give its full support and cooperation to other interests, both private and governmental, to help increase travel to the United States from foreign countries.

The primary emphasis of the Discover America program to date has been to stimulate and increase domestic travel. However, various members of Discover America have actively promoted travel to the United States. Discover America members have agreed to strengthen these efforts and at the same time, a specific Discover America program abroad will be undertaken. Through these combined efforts, we believe that a significant increase of travel to the United States can be achieved. To aid in the total efforts required to expand travel to the United States, the board of directors of Discover America Inc. respectfully requests that the United States government give full consideration to the following recommendations:

1. That the long tradition of travel freedom be reaffirmed.
2. That a substantial expansion of the United States Travel Service program be undertaken immediately to enable the United States to compete adequately and more effectively with the successful programs of other governments.
3. That the scope and accuracy of data utilized in the travel account be reexamined and reevaluated to give full weight to other factors in the goods and services account which directly relate to travel. The industries supporting the Discover America program do so in their own economic self interest and because of patriotic responsibility. They recognize that travel has major economic significance and that it fosters enlightened citizenship and international understanding. To the extent that United States citizens travel in their own country, and residents of foreign countries travel to the United States, our international payments position will be improved. Discover America dedicates itself to this objective.

DISCOVER AMERICA PROGRAM

In May of 1965 the President of the United States, in response to a congressional resolution, appointed Robert E. Short as National Chairman of a "See The USA Committee" for the purpose of organizing a campaign, financed by private industry, that would encourage Americans and citizens of other lands to travel in the United States, its territories and possessions, and the Commonwealth of Puerto Rico. Subsequently, Discover America Inc. was created as a nonprofit corporation incorporated in the State of New York, to implement this presidential assignment. It has worked with the Cabinet Task Force on Travel, chaired by Vice President Humphrey, and the U.S. Travel Service. Leading companies and associations from petroleum, airlines, aircraft manufacturers, automobile manufacturers, hotels/motels, railroads, bus companies, rentacar firms, tire manufacturers, and others pledged an annual budget of dollars 500,000 and appointed representatives to the Discover America board of directors. The principal office was established in New York and a program was launched in four major areas: publicity and promotion, industry relations, government relations, and research. Functioning in a catalytic role, Discover America Inc. under the banner of its logo and theme, initiated program activities on its own and organized support from industry to give widespread exposure to the appeal of the U.S. as a travel destination. During 1966 member companies and associated enterprises invested more than dollars 160 million in support of Discover America promotions. In 1967 more than dollars 200 million was invested for that purpose. In 1968 the figure will again be substantially higher. Notably in 1968 there will be extensive support from enterprises not presently a part of the Discover America membership. The Discover America program has

been effective. It has made the public more aware of and desirous of travel in the United States and, as a result, domestic tourism has increased.

Mr. ULLMAN. We thank you very much for an excellent statement, Mr. Short. Without objection, the full statement, together with all of the various attachments, will be included in the record.

Mr. Short, I was the author, as you know, of the original "See the U.S.A." resolution and subsequent "See the U.S.A." resolutions and so I have followed with a great deal of interest the work of your organization, and I know the problems that the private sector had in getting together on the common plan, and I congratulate you on what I consider a tremendously successful effort.

Are there questions?

Mr. Curtis.

Mr. CURTIS. I certainly want to join Chairman Ullman in expressing my appreciation, too, for a fine record and a fine statement.

On page 6 you say:

In this year of 1968 we will expand our program into the foreign markets.

Am I reading that right, that you already are to some degree in foreign markets, or does this mean an initial effort?

Mr. SHORT. Yes, we have been in the foreign market in a limited way in our first couple of years of existence. Specifically, what we have done in terms of the foreign markets would be largely by our members, by Pan American, TWA, Hilton and Sheraton Hotels, more on an individual basis.

Mr. CURTIS. Do you know how much in dollar amounts—I am pleased to get these amounts for 1967—was spent, say 2 years ago, and what is being spent now in your program and what is contemplated for 1968?

Mr. SHORT. As it specifically applies to the foreign visitor, I can't give you that figure today. I can say this: That whatever it was last year in terms of airline dollars it is going to be double in their 1968 budget. In terms of 1968 to hotel dollars, it also is going to be double. In terms of Hertz dollars, it going to be double. Now, I recognize that this is a generalization with no particulars, so I will get you the particular figure and submit it to you in an exhibit through Mr. Gross.

(The following information was received by the committee:)

Discover America has determined that no comprehensive measurement has been made of the amount of money being invested by the private sector of the U.S. travel industry in foreign countries to promote travel to the U.S.

In an attempt to provide some illumination on this subject, we surveyed major companies and associations, including airlines, hotels/motels, petroleum, rubber manufacturers, railroads, bus companies, steamship companies, tour wholesalers and operators, and car rental systems.

From that survey we arrived at the following estimates of total expenditures by the above groups:

1966	$37,000,000
1967	46,500,000
Projected for 1968	56,000,000
Percent increase, 1968 over 1967	20.4

Mr. CURTIS. Very good. I also wonder what the program of the administration of cutting back on foreign investment might do to these planned expansions. This money to be effective must be spent abroad, right?

Mr. SHORT. Yes, sir.

Mr. CURTIS. Well, this will be helpful. Do you think you need an amendment to your resolution? I was looking at it where it says, "which will encourage the American people to explore, use, and enjoy," and so forth. It might be good to have in the record, and I would certainly like to see it, "which will encourage the American people and others."

Do you think the words "and others" in there would clarify your position? I am pleased to see the initiative that led you to set up packages and other improvements for Americans. It is logical to set up similar packages so that others can benefit also.

Don't you think it would be good to clarify it so you can include others?

Mr. SHORT. We have always had the authorization under your resolution to work in both fields with the Americans in terms of travel at home and with foreign visitors to our shores.

Mr. CURTIS. Where do you figure that? I read this resolution.

Mr. SHORT. Travel to and within the United States.

Mr. CURTIS. Yes, but it says "encourage the American people." It doesn't say encourage other people.

Mr. SHORT. Public Law 88–416. I have it here in front of me. Let me read you section 2 of that:

> The President is authorized to publicize any proclamation issued pursuant to the first section and otherwise to encourage and promote vacation travel within the United States of America, its territories and possessions, and the Commonwealth of Puerto Rico, both by American citizens and by citizens of other countries.

Mr. CURTIS. Yes, it does in that second paragraph, you are right. I think the first paragraph should include it, too. I was just being a little picky, but I was trying to pursue this a bit further. I will get that other information that you will supply for the record.

I am concerned, as you could tell from listening to my previous questions, as to why you think the Government would need to spend more money. It looks like you are doing darn well. I am just tickled to death to see this kind of thing. It is good investment. Your people are doing it.

Why in the name of heaven do you want Government money? You have done all of this without it and if you ask now for Government money, I can promise you that you are going to get Government interference. We have to interfere because we have a responsibility to see that Government money is spent in certain ways. I see no reason for asking governmental restrictions on your imagination, your ingenuity, on how you would spend money.

Mr. SHORT. May I point this out, Mr. Curtis.

Mr. CURTIS. Surely.

Mr. SHORT. And I think that the analogy might be something that would give you at least my point of view. There are some classic examples within our country of good private sector programs and local government support promoting cities.

Mr. CURTIS. Oh, local; oh, well.

Mr. SHORT. And States. Now, wait so that you can understand me.

Mr. CURTIS. Yes.

Mr. SHORT. For example, Florida.

Mr. CURTIS. Oh, sure, we do a good job.

Mr. SHORT. Missouri. In Minnesota we don't do quite as good a job I might tell you, but where you do have a successful program selling a State or a city or a specific event, you have usually good cooperation with private money and some local government money, at least catalytic money. This is certainly true in Florida, I think it is true in Missouri.

Mr. CURTIS. It certainly is.

Mr. SHORT. I have a business in your State.

Mr. CURTIS. I couldn't agree more. Now, why the Federal?

Mr. SHORT. Now, in terms of the Federal you have the 50 States competing with themselves to get the person after he is here, but the various State budgets do not work overseas or beyond the continental limits of the United States, although some of them do. Puerto Rico you would find, and I think Florida, spend some money overseas.

I envisage whatever Mr. Black's department would do, if it is that department that you have in mind, as being catalytic, able to represent the total country in cooperation with the private sector. We are going to go, for example, this spring with Mr. Black and his staff to Brussels and we are not asking him to pay for it.

Mr. CURTIS. Let's leave this issue here. I am really interested, but we have a time limit at this particular time. What I would like to see is why you think that the Federal Government can perform a function that could not otherwise be performed. I personally think that the way you are operating and have operated domestically is the best pattern for doing this abroad. Get Government to stop interfering. Yes, get the governmental agencies to be cooperative. You will be able to utilize the Federal Government to the extent that it already is over there.

I can see a lot of need for coordination, but I can't see this business of the Government even spending what it is spending, let alone another $30 million in a field which is lucrative and will continue to attract private money.

Mr. SHORT. You don't hear me saying I think they should get $30 million.

Mr. CURTIS. We collect taxes from the private sector on money that is spent in the private sector, but we surely don't collect taxes from the Government. At any rate, let's leave the record open. I would like to get your further judgment on the specific functions of the Government. Maybe they are there. I don't want to sound as if the Federal Government might not have some arguments. I will listen to them, but I am surely not inclined to go along at this present time with expansion of the USTS.

I have just been shocked to hear these private enterprise witnesses in the past week. Immediately they think, "Well, let the Government spend some of this money," that logically they can spend much more intelligently.

Mr. SHORT. I would certainly hope that you would understand that we didn't come here petitioning the Government to spend more money at this time in our history except that we though that if they did so it was necessary in order to——

Mr. CURTIS. Yes, but you didn't spell it out.

Mr. SHORT. Not as well as it should have been.

Mr. CURTIS. You see, this is a very prevalent idea, to throw Federal money in to solve a problem. Frankly, that is why we are in trouble. If you would come in and say specifically what function, the USTS has performed it would be helpful. Believe me, when you start doing that you are not going to be talking in terms of $30 million.

Mr. SHORT. I didn't testify to that.

Mr. CURTIS. I know you didn't. I am referring to the testimony that has preceded you. Let me say what I think is happening, as so often happens. We get into a problem and there are certain people that use that problem as a technique for getting their nose further under the tent. This is what I think the U. S. travel crowd has done along with the help of the Federal Government, and I resent it. We have a darn serious problem here and this should never have been used as a gimmick to try to get more Government money into the travel business.

Let the USTS come in and justify what they have done with the money that has already beee given them. I think they are going to have a hard time doing it. I think they will foul things up rather than help. This is my opinion.

Mr. SHORT. May I just make one last observation?

We have worked with them, in cooperation with them, during the period of our existence, and it has been our view, right or wrong, without trying to supervise what they do, that the money that they do have hardly pays their carfare between Washington and the offices that they maintain about the world.

Now, assuming that there is a need for the Government to have such a bureau at all, then it would be our view I think that they should have a budget that would permit them to do whatever their function is.

Mr. CURTIS. I grant you that if you assume that there is a function that these people perform, you have to have human beings performing it, and they have to have expense money at least. That is very true. I am questioning the assumption that these are functions that government needs to perform that cannot be really better performed in the private sector. My rule of thumb is that the burden of proof should be the other way as to why the private sector can't perform it and therefore we have to go to government.

And I close by again observing that there are areas, in my judgment, where government has to move, at least the Federal Government, prejudiced as I am against any further movement on the part of the Federal Government.

Mr. ULLMAN. Mr. Short, without objection, the record will be held open for any additional comments that you would like to make in response.

I would conclude by saying that in your efforts to expand tourist travel from abroad, which I think is highly commendable—I would hope that you will explore to the fullest the concept of package, all-expense, low-cost tours in which you have the full cooperation of the hotels, motels, transportation people, restaurants, and so on.

I know you are working in that direction, but I don't think we will ever get a heavy flow of traffic until we get a lot further than we are

into this concept of package tours, and I hope when you do that you will also keep under consideration the programs that will attract people way out to the west coast, to Oregon.

Mr. SHORT. Yes, sir.

Mr. ULLMAN. I know you have been working on this, and costs are involved. The 50 percent domestic fare reduction for this reason I think is a move in the right direction. I think it will enable foreigners to see a lot of this United States that they otherwise would not have been able to see.

Mr. SHORT. Right. I don't know whether you understand or not, Mr. Congressman, that the fare reduction as proposed by our members in terms of the McKinney report presupposes stops at three or four destinations and you would almost have to go from New York, if you landed there, via Minneapolis, and wind up in Oregon in order to really be involved in that type of fare. We had that in mind obviously when we did it.

Mr. ULLMAN. I knew that they would have to stop in Minneapolis, and I presumed certainly they have to stop in Portland, Oreg.

Thank you very much for a very, very fine statement.

Mr. SHORT. Thank you very much for your courtesy.

Mr. ULLMAN. Let's include Ohio, too.

Mr. SHORT. Yes, sir.

(The following statement and letter was received by the committee:)

SUPPLEMENTAL STATEMENT BY ROBERT E. SHORT, NATIONAL CHAIRMAN, DISCOVER AMERICA, INC.

Members of the Committee on Ways and Means have asked why we believe it is a proper function of the U.S. Government to operate a national travel bureau and why we have recommended that the appropriation for that function be increased.

Earlier in our testimony we pointed out that the so-called travel gap in our balance of payments was not the only reason which led to the Discover America program.

We recognize, nonetheless, that our balance of payments deficit is a national problem of serious proportions and that a solution to that problem is the objective of the travel restraint proposals under consideration by your committee.

It is our belief that the balance of payments deficit will become more serious unless a vastly increased effort is made to attract more foreign visitors to the U.S.

We have outlined what Discover America, its members and other interests are doing and will do this year to increase that effort. However, the task of attracting more foreign visitors to the U.S. in sufficient numbers to reduce the balance of payments deficit significantly cannot be accomplished by the private sector of the U.S. travel industry alone, principally for these reasons:

(1) Competition from other travel destinations, mostly in terms of large investments by foreign governments in travel promotion, has become too great. Money spent by foreign governments to attract U.S. citizens to their countries exceeds by many times the amount spent by the U.S. Government to attract their nationals to our shores.

(2) The private sector of the U.S. travel industry represents a vital but small percentage of the total U.S. travel product. Our travel product is the sum of all of our states, territories, possessions and Puerto Rico, all that they comprise in terms of God-given and man-made attractions, and all of the facilities, goods and services provided for travelers. Most of that total product is not capable of promoting its interests or representing its interests in foreign countries.

Thus, we submit that it is not only a proper function but a necesary function for the U.S. Government to operate a national travel bureau to assist the private sector—as our Government is doing for other industries in foreign markets—

and to act in behalf of those segments of the U.S. travel industry which cannot promote their portion of our travel product in foreign countries.

Additionally, we believe it is fair and reasonable for this expenditure to be borne by our taxpayers because revenue generated by travel spreads throughout our entire economic community.

The effectiveness of well-financed travel programs by national governments is well demonstrated by the success of other major travel destinations.

We need only look to such countries as Canada, France, Spain, Italy, Japan, Greence, Turkey, Australia and others for evidence of such success.

It seems academic to debate whether it is a legitimate function of our national government to finance a travel program since, with the establishment of the United States Travel Service, Congress determined that it is a legitimate function.

Other witnesses have recommended a different type of agency. Some have proposed that our travel bureau be given full cabinet status. Others have suggested a corporation financed by the Federal Government but removed from the bureaucratic structure.

While these recommendations have merit and should be considered, any restructuring of our national travel bureau should not be allowed to delay an expanded travel promotion program.

The United States Travel Service (USTS) is the only existing agency within the Federal Government capable of implementing such a program. Also the USTS has had plans for an expanded program ready to be implemented for some time.

It is for these reasons that we have recommended an increase in the appropriation for the USTS.

DISCOVER AMERICA,
New York, N.Y., March 7, 1968.

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

DEAR CONGRESSMAN MILLS: During my appearance before your committee on February 29, 1968, it was suggested that section 1 of the joint resolution of the Senate and House of Representatives that led to the establishment of the "DISCOVER AMERICA" program be amended to clarify the point that it shall be the responsibility of private industry and interested private organizations to continue their efforts to attract *citizens of other countries*, as well as American citizens, to the scenic, historical and recreational areas and facilities of the United States of America, its territories and possessions and the Commonwealth of Puerto Rico.

A proposed resolution for adoption by the Senate and House of Representatives authorizing the President to extend through 1969 his proclamation of a period to "Discover America—See the United States", including an amendment to clarify the point that it shall be the responsibility of private industry and interested private organizations to continue their efforts to attract citizens of other countries, as well as American citizens, to the scenic, historical and recreational attractions of the United States, is enclosed herewith as Attachment "A".

Your consideration of the suggested amendments as set forth in Attachment "A", and your help in obtaining early passage by the Senate and House of Representatives of the suggested resolution, as amended, will be greatly appreciated.

Additional information requested by Mr. Ullman and Mr. Curtis concerning the amount of money being invested by U.S. private industry to promote travel to the U.S. from foreign countries and our views on the role of the Federal government in travel promotion is being developed and will be forwarded to you shortly.

Again, I want to thank you personally for giving Discover America, Inc. the opportunity to testify before the Committee on Ways and Means. The Congress, and the President, can be assured that Discover America, Inc. will accelerate its efforts, both here and abroad, in promoting more travel to and within the United States in the effort to help ease the nation's balance of payments problem.

Truly,

ROBERT E. SHORT,
National Chairman.

A resolution for adoption by the Senate and House of Representatives of the United States of America authorizing the President to extend through 1969 his proclamation of a period to "See the United States" and for other purposes.

Suggested amendments to the existing joint resolution. Public Law 89–235, approved October 2, 1965, are highlighted as follows (deletions are in black brackets; additions are italic):

DISCOVER AMERICA—SEE THE UNITED STATES

The President is authorized and requested (1) to extend through [1966] *1969* the period designated pursuant to the joint resolution approved [August 11, 1964 (Public Law 88–416)] *October 2, 1965 (Public Law 89–235)*, as a period to see the United States and its territories; (2) to encourage private industry and interested private organizations to continue their efforts *under the "Discover America" program* to attract great numbers of [the] Americans [people] *and the citizens of other countries* to the scenic, historical, and recreational areas and facilities of the United States of America, its territories and possessions, and the Commonwealth of Puerto Rico; and (3) to issue a proclamation specially inviting citizens of other countries to *discover America* [by visiting visit the festivals, fairs, pageants, and other ceremonials to be celebrated in 1966] *1968 and 1969* in the United States of America, its territories and possessions and the Commonwealth of Puerto Rico.

SEC. 2. The President is authorized to publicize any proclamation issued pursuant to the first section and otherwise to encourage and promote vacation travel within the United States of America, its territories and possessions, and the Commonwealth of Puerto Rico, both by American citizens and by citizens of other countries, through such departments or agencies of the Federal Government as he deems appropriate, in cooperation with State and local agencies and private organizations.

SEC. 3. For the purpose of the extension provided for by this joint resolution, the President is authorized during the period of such extension to exercise the authority conferred by section 3 of the joint resolution approved August 11, 1964 (Public Law 88–416), and for such purpose may extend for such period the appointment of any person serving as National Chairman [pursuant to such section.] *of the "Discover America" program established by private industry in 1965 as a non-profit organization to carry out the purposes of section 1 of this resolution.*

Mr. ULLMAN. Our next witness is Mr. Paul Friedlander. Mr. Friedlander.

Mr. CURTIS. Mr. Chairman, let me comment how pleased I am to have Mr. Friedlander, who is the travel editor of the New York Times, come down here as a witness. He is in my judgment one of the most knowledgeable people in this area.

Mr. ULLMAN. We are extremely happy to have you before the committee, Mr. Friedlander. We know of your great knowledge in this field. Will you identify yourself and proceed as you see fit.

Mr. BETTS. Mr. Chairman.

Mr. ULLMAN. Yes.

Mr. BETTS. I just want to comment this is the only way I can travel, through his section of the New York Times.

Mr. ULLMAN. That is true of a lot of us.

STATEMENT OF PAUL J. C. FRIEDLANDER, TRAVEL EDITOR, NEW YORK TIMES

Mr. FRIEDLANDER. That is a tremendous responsibility. Thank you, Mr. Chairman.

I am going to put my watch down here and I promise not to abuse your patience. What I have to say will not take long.

My name is Paul J. C. Friedlander, I am travel editor of the New York Times; I am also president of the New York Travel Writers Association.

While I appear as travel editor of the New York Times, I do not pretend to represent the editorial opinion of the New York Times as set forth in its editorial page. John B. Oakes is editor of the editorial page of the Times and he needs no help from me to make his position clear on travel taxes or other matters.

As you may know, he originally favored in his page a travel tax until he saw the amorphous proposal that the administration dropped in your laps, whereupon his enthusiasm cooled rapidly.

I will make one other point in explanation. I am probably the only person with a nonvested interest to testify before your committee on this subject.

Regardless of how your committee or Congress votes or does not vote on the travel tax, the New York Times will in all probability be continuing to function as a daily and Sunday newspaper, and as far as I know I should continue to function as its travel editor without any increase and with no decrease in salary. At least that's the way it was when I left the office yesterday.

So when I speak in opposition to the administration's tax proposals, I speak for the traveling public and for myself as objectively as I can on a subject upon which I have a strong feeling, but no economic or political self-interest.

I do not bring you a long statement full of statistics. It seems to me you gentlemen have been most patient in listening for the last couple of weeks to tables of statistics and arguments based on millions of tourists and millions of dollars.

I do not want to impose upon your patience further, especially since most people who know anything about the travel industry recognize that most of the statistics that are bandied about have very little validity.

They are guesses and estimates and most of them are made, alas, on too little information to be considered even good "guesstimates." Even the officials who have been besieging you with these statistics and arguments will admit privately, not in public, if you press them hard enough, that this is true.

I refer you to the report of the task force to the President of the United States which polished this off in one sentence:

> Further improvement is also needed in the quality of statistics which are used in estimating the travel accounts in our balance of payments.

This report did go on to quote further the Bernstein report which has commented previously on the poor quality of Government's fiscal and travel and balance-of-payments statistics upon which you are asked to act.

A working committee of the task force was not quite so polite, and you have seen that report published in the Congressional Record of February 5, and I will quote three little paragraphs. It says:

> Statistics in the travel field, especially from the U.S. government, leave a great deal to be desired.
>
> Major decisions of national policy are being made on the basis of statistics on the national travel gap, etc., that expert observers believe have a high degree of error.

The samples taken by the Office of Busines Economics, Department of Commerce, for calculating the inbound and outbound volume of travel expenditures from which the so-called travel deficit is derived are regarded by your working party as inadequate, neither well balanced nor large enough, not taken frequently enough, suffering from an undue timelag, and using antiquated sampling and tabulating methods.

If you will check the records of your hearings you will find that the Secretary of the Treasury appeared here on February 5 and in his prepared statement admitted that he did not know how many Americans had traveled in Europe in 1967. The latest figure he had was for 1966.

Mr. Fowler said, and I quote:

The figure was undoubtedly higher last year, although the exact number will not be known for some months.

This bothers me because this is strictly a head count that has to be taken. It is taken daily by the Immigration people. Every time anybody comes through Immigration they are counted. I don't see why there is such a lag and a weakness in our figures.

You have heard all the argument that this proposed restriction of free travel by Americans through clumsy cumbersome taxes is a violation of the American's basic inalienable right to travel freely and to spend his own money.

There is no need to belabor that point any further, except to point out that I don't think it would be very American for you or for Congress to require your constituents to put up a bail bond like a criminal before being permitted to leave the country, which is what this proposed tax is.

You make a declaration of how much you have in your pocket and how much you are going to spend and you put up a bond or prepayment of a tax, which to me is like a bail bond. I resent it and I think most of your constituents will too.

I think this tax is an impossible tax because it is impossible to write so it falls in any kind of equity upon the population. You heard that this morning from the man who was testifying for the retirees. It is a tax that is impossible to sell the American people, from what I hear from them, and I firmly believe to their Representatives in Congress.

Worst of all, it is absolutely impossible to enforce. The bootlegging of prohibition days, which some of us elder citizens can still remember, will be nothing as compared to the flouting of the law that this tax will lead to and which generates further flouting of other laws.

The Treasury Department proposals are based on a couple of other fallacies as wild-eyed as some of their statistics. They speak of the "jet set" as if it actually existed.

This, gentlemen, is utter nonsense. There are a handful of people who flit around the world, getting their names in the so-called society or female pages of the newspapers. I would hazard a guess—I am really only half joking; I am half serious here—that if you added them all up you would get maybe 64 people, most of them not very impressive except to themselves and their friendly society editors.

I must admit that some travel writers, especially, magazine editors, have helped create this bogey-man of jet-setters. They did it in order to make their copy look brighter. They thought they could mislead

some of us common garden variety people to lick our chops over such fancy talk.

The Treasury would have you inflict their impossible travel tax on over 200 million Americans to stop the so-called flow of gold by this corporal's guard of fictitious name droppers, the "jet set."

I don't believe you gentlemen have been taken in by this silly argument and I don't think it needs any more time to be stolen from your busy day.

The other major fallacy I find is the illusion, by many people in the Treasury Department, that people travel only to spend money.

Let me tell you from what I see of our readers and what I hear from them and from my experience in the travel business after some 23 years in it, people do not travel to spend money. They don't travel to shop and buy gifts and things they don't want.

People—I am talking about real people, not the "jet set"—people travel first and foremost to travel. Shopping and spending abroad is an accessory after the fact of travel, not before it. People spend to travel—they do not travel to spend. They leave home to travel. They don't leave home to buy perfume and other things. They buy them as an accessory after they are there and because they happen to be there.

The ultimate basic fallacy behind much of the talk about balance of payments and balance of trade is the attempt to create—by repeating it over and over again—the impression that there is actually a travel gap, a separate part of the economy.

There is no question that foreign travelers now spend less in the United States than American travelers spend abroad. It is also true that we spend more money abroad for Scotch whiskey than the British do for our American brands of liquor.

Can you translate that into a gap that means none of us should drink Scotch whiskey for the next 2 years. I rather doubt it. If you want to bring the matter up to date, what about the millions of dollars pouring out of the country right now to buy copper abroad because of the copper strike? Do you call that a copper gap?

There was an article in the Times yesterday that said the total spent in hard dollars, depleting our gold, in the last 8 months for copper that was not being mined here but had to be purchased abroad was $250 million. This is something that ought to be tossed in the pot when you are talking about travel and other gaps.

If you are really serious about wanting to plug the gold drain, I suggest you listen to the advice of General Eisenhower, whose judgment on matters military is still eagerly sought after.

I heard him in a press conference in Palm Springs last month in which he advocated bringing home the half-dozen divisions of American troops in West Germany. I did not ask him that question. Someone else did. So I am not presenting my own argument.

I have heard estimates from various sources that General Eisenhower's proposal, including the spending by military dependents abroad, would achieve a saving of about $700 million spent abroad.

These figures also I can't vouch for because I am not a statistician.

If you are serious about plugging the gold drain, if the Treasury is serious, they might well look to the Interior Department, to the American Virgin Islands. Its officials report, and they told me this

only yesterday, its tourist business totaled $75,035,860 for fiscal year 1966–67.

Of this figure, they said, spending in gift shops and liquor stores totaled $32,904,000.

How much of that amount do you think remained in the Virgin Islands? How much of it went leaping over the Atlantic Ocean to the wholesalers and manufacturers of Europe, who deposited those dollars immediately in their local banks and away it went into the gold situation?

What makes anyone think that the money spent in the Caribbean islands, as well as in the American Virgin Islands, in Mexico and Central and South America does not and will not find its way just as quickly to the central banks in Europe as the dollars spent in Vietnam find their way into the hands of European gold dealers in France and elsewhere?

This debate could go on forever, but it is getting late and I see my time is running out, and I want to finish with just two short points.

I would like to know what anyone intends to do with the millions of dollars the Treasury Department hopes to squeeze out of the American traveler with the proposed 5-percent transportation tax. I question whether this is simply another device in anti-inflation, a so-called anti-inflation tax measure, or will the money be put to some good purpose, presumably in behalf of developing travel to the United States, or let's say some good purpose.

There is one solid idea that has been presented to your committee for a joint Government-private industry private corporation that will undertake to sell America to foreign tourists, replacing the attempts to do so with a government agency like the U.S. Travel Service. It is also put forth in this Industry-Government Special Task Force. I think you ought to look very seriously at this proposal, gentlemen.

I think this idea was also produced by the National Association of Travel Organizations.

In reply to some of the points Mr. Curtis was making before, I think a quasi-government, a semiprivate organization possibly like the Rand Corp. idea, might be able to spend money as required to meet the needs of the program, and they might do it more efficiently than a government body could, enlisting at the same time the support and money of private industry.

I suspect that without the terrible restrictions of a government agency this type of a quasi-government body, half private and half government, might better adopt the American sales techniques proposal to the job of selling America abroad as a tourist country.

I suspect somewhere in this area you might find a businesslike approach to this problem.

Thank you, Mr. Chairman.

May I, before I finish, reply to a question Mr. Curtis raised to someone else before? A part answer to your question of what private industry is doing abroad is in this task force report on page 19 under "Actions Initiated": "Twelve U.S. trunk and international air carriers"—these are only air carriers—"advised this task force that they are increasing their promotion and advertising budgets outside the United States in 1968. Together they will spend $16.5 billion for

advertising and promotion overseas, an increase of $35.5 million over 1967."

I don't happen to have the ship figures. I couldn't find the ship figures in here.

Another point on the question you asked about what private industry is doing. When the New York Times published its own Paris edition, which we did for nearly 6 years, we published five times a year special visit U.S.A. sections. I know about them because I had to get them out here in America. We produced them in New York, matted them, and flew the mats to Paris where they were printed as part of the Paris edition. This was strictly a private enterprise operation.

The Times did it ostensibly to make money. Obviously we didn't make much money on it because they shut down that operation after a few years, but the advertisements in it were from private enterprise and from some foreign governments.

Mr. ULLMAN. Thank you very much, Mr. Friedlander. I know Mr. Curtis has some questions, and I just want to make a comment.

When I first introduced the "See the U.S.A." resolution, I received considerable adverse criticism from travel writers around the country as being a rather provincial approach to our balance-of-payments problem, but subsequent to that time there has been, I think, a considerable shift of opinion among the travel writers. I am pleased now that you are advocating an extension of this approach. I think it is a very constructive one.

I would merely ask you this one question: In your pages in the New York Times what percentage of your space is devoted to travel outside the boarders of the United States as against inside?

Mr. FRIEDLANDER. Mr. Chairman, I have never run a measure on that. I am not sure. You are including Canada, Mexico, and Latin America as outside?

Mr. ULLMAN. I would rather just include the borders of the United States and its territories.

Mr. FRIEDLANDER. I am guessing. I would have to make a measure. I would say over the years we probably run 70 percent editorial space on the domestic and Hawaii, Alaska, American Virgin Islands, Puerto Rico, and probably 30 percent, or 75–25 percent. I could well be off there, but that is roughly the ratio.

Mr. ULLMAN. That is very interesting. I had the impression that it would be reversed in your pages.

Mr. FRIEDLANDER. Last Sunday we put out our big international section. That ran about 56 pages. This was our big international effort. Those 56 pages were all foreign. That same Sunday we also got out a 20-page domestic section, which was just United States. I don't think that even included Canada. But the rest of the year, the other 51 weeks of the year, the predominance is domestic.

Mr. ULLMAN. That is good.

Mr. Betts.

Mr. BETTS. Mr. Friedlander, do I understand from your remarks here that you would be opposed not only to this particular proposal but to any travel tax? And I ask that because in your presentation one of your objections was you felt it would be impossible to administer,

and I hear rumors that there may be some move to simplify this tax to maybe something like a head tax.

I would just be interested to have your comments as to whether you are objecting to going to any type of travel tax.

Mr. FRIEDLANDER. Yes, I do; on a philosophical basis. I think there ought not to be any barriers to the free movement of people. I want our people to see the rest of the world, and conversely and even more emphatically, I would like to have the rest of the world see us because we have something to sell here. You cannot convince me that anyone from behind the Iron Curtain who spent a couple of weeks in the United States would not go home convinced that we didn't have a lot more here than they have there. This is our biggest asset.

I think we have done a very weak job of selling. I don't think you can convince people to come on over and see what we have if you put any barriers in front of them and in front of us.

In that connection, President Johnson proposed the other day in a letter to Congress that you eliminate the visa restriction and that we reciprocate. I think this is a long-overdue proposal. I would like to endorse this 100 percent. Anything that stands in the way of the free motion of people, impedes the free movement of ideas, I don't think we can afford that.

Mr. ULLMAN. Mr. Curtis.

Mr. CURTIS. Just on that point do you feet that one of our big problems is these barriers that exist in the visa area. Are there any others? This visa problem has been pointed up to the committee along with other problems. Are there any other barriers that you think of that might be removed that are interfering with people coming to this country?

Mr. FRIEDLANDER. Yes. I think Government could do it very easily. We could do something about it much more convenient physically and much happier in the welcoming of people into the United States at our gateways. I think that we don't have enough customs inspectors, I don't think we have enough immigration and health people at the ports, to handle the flow of traffic at the peak periods. The facilities in which these men work, I think, are abominable in many respects. New York's Idlewild or Kennedy Airport is a disgrace at peak loads. Remember, this is the first image people have of the United States, and those piers on the North River in New York City are a disgrace, freezing cold in winter, beastly hot in the summer, no place to sit down.

With the conditions these men work under, the cannot possibly be expected to treat these people as the should. The men, themselves, are working under terribly difficult conditions. There is also, I think, the question of, once the people get in this country—of course, you are talking about barriers by the Government.

Mr. CURTIS. Yes, I am thinking of what government can do, like in this visa area. I know some people have told me that people in certain sections of Europe still think that they have to be fingerprinted, that there are a lot of questionnaires that they have to go through.

Another group was telling me that when they were planning conventions of various organizations in this country, they might find someone who is a Hungarian or Rumanian or Czech as one of their officers. Then they couldn't come so they canceled the convention.

Mr. FRIEDLANDER. That is a very important point you make, Mr. Curtis. We have lost a great many conventions to Montreal, Quebec, and Toronto because the scientific meetings of physicists and the like will have men from behind the Iron Curtain, and they have not been able to get visas. They have had to wait weeks and months to get their visas. This is something that government could move on immediately.

If the President's proposal is adopted, this would include, I should think, automatically Bulgaria and Yugoslavia, which last year abolished the need for a visa for American citizens. So it would seem to me their scientists would be allowed to come in.

Mr. CURTIS. It seems to me we need to make a bigger distinction than we apparently do between people who are coming over in package visits, conventions, or short-term things, as opposed to what has been so much of our traffic before, that is people coming over as immigrants.

There you have, of course, a lot of reasons for long forms and paperwork and so on, but apparently we haven't made this big distinction in the amount of paperwork between people who are just going to travel over here and those who plan to live here. I don't know enough about this, and I am just asking if this is true.

Mr. FRIEDLANDER. I think you are quite correct. The Europeans do it differently. If you are going over to Europe to live, you have to have certain working papers. If you are goinng over as a tourist, you need nothing but your U.S. passport.

Mr. CURTIS. Yet some people have said to me that one reason that the European countries don't require so much is because every hotelkeeper inspects you passport. He has it there and the local police have it. Over here we don't have that kind of system and supposedly we save them all that trouble by asking the questions ahead of time.

I was interested in your feeling that this is an area that we need to move on. Apparently the administration is moving, I think, possibly as a result of some of the testimony that has come out in these hearings which have been going on.

We have to go on over to the House session now. Thank you very much for your appearance.

Mr. FRIEDLANDER. Thank you.

Mr. ULLMAN. Thank you, Mr. Friedlander. You have been very helpful to the committee.

The Committee will stand adjourned until 10 a.m. tomorrow.

(Wherupon, at 12: 37 p.m., the committee adjourned, to reconvene at 10 a.m., Friday March 1, 1968.)

ADMINISTRATION'S BALANCE-OF-PAYMENTS PROPOSALS

FRIDAY, MARCH 1, 1968

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
Washington, D.C.

The committee met at 10 a.m., pursuant to notice, in the committee room, Longworth House Office Building, Hon. A. Sidney Herlong, Jr., presiding.

Mr. HERLONG. The committee will be in order.

The first witness this morning is Mr. Floyd Robertson. Mr. Robertson, would you take your place at the witness stand please?

STATEMENT OF FLOYD ROBERTSON, ASSISTANT TO GENERAL DIRECTOR, NATIONAL ASSOCIATION OF EVANGELICALS; ACCOMPANIED BY REV. WADE T. COGGINS, ASSISTANT EXECUTIVE SECRETARY, EVANGELICAL FOREIGN MISSIONS ASSOCIATION

Mr. ROBERTSON. Thank you, sir.

Mr. HERLONG. If you will please identify yourself for the record together with the gentleman with whom you are associated I will appreciate it. Then you may proceed in your own way.

Mr. ROBERTSON. Thank you, sir. Mr. Chairman, my name is Floyd Robertson. I have with me the Reverend Wade T. Coggins, who is the assistant executive secretary for the Evangelical Foreign Missions Association.

During all of his adult life Mr. Coggins has served either as a missionary overseas or as a mission executive and he will be available in case you want to ask him questions.

I serve as an assistant to Dr. Clyde W. Taylor, who is the general director of the National Association of Evangelicals. Dr. Taylor regrets very much that he could not be here to make this presentation.

We want to express our sincere appreciation for the opportunity to appear before your committee and are grateful for the time you have given us to make a brief statement.

Confessing our inability to evaluate the overall issues, we are not disposed to take a position for or against the travel tax program as proposed by the Treasury Department. We are grateful for the privilege of bringing to your attention some of the adverse effects such a program would have, unless modified, on the approximately 100 missionary boards we represent, and the 15,000 missionaries serving overseas under those agencies.

In the relatively short time since the travel tax program was first

proposed we have heard from a large number of mission executives expressing concern about its application to the missionary endeavors. These brief comments will reflect a consensus of these concerns and you will note that they are confined to a limited area of the entire program.

The Treasury report advocates the continuation of "the exemptions now applicable to the tax on amounts paid for domestic flights" and also advocates the same exemptions from the transportation tax as expanded. We strongly recommend that all missionary personnel on official business representing a bona fide missionary agency in the United States be included in these exemptions.

The basic reason for this recommendation is summarized in a brief quotation from one of the letters we received this week and I quote:

> Within the groups we represent there are approximately 15,000 missionaries and missionary executives who are doing people-to-people and Peace Corps-type work at no cost to the government. On the basis of the good will these people are generating and the appreciation for our country created by them, we certainly have an argument for exemption if anyone does.

Mr. Chairman, you will recognize this as a biased position but we sincerely believe it is fully justified not only by virtue of our current involvement, but by past experience. I was a career officer in the Navy. We were with the marines in Guadalcanal in 1942, and stayed with the U.S. Pacific Fleet until we reached the Philippines in 1945. I am not at liberty to tell you how much the past activities of our missionaries in that part of the world became a material asset in winning the battles of the South Pacific, but I would suppose that several members of this committee are not without knowledge in this area. It requires only a moment's reflection to realize the value of our missionaries in our current situation in Southeast Asia.

As important and essential as military victories are in their place, we all recognize how vain and futile they are if this is all we have. Indeed the same might be said about economic battles which are the issues under consideration here. We submit to you, sir, that the by-product of our missionary endeavor inevitably contributes to the best interest of our Nation and its security on a scale far greater than any dollar drain it may create.

On the other hand, we fail to see how the granting of such exemptions to missionary personnel would significantly hinder the travel tax program. Even if it could be demonstrated that it would be desirable to apply the tax in occasional cases the total number of missionary personnel involved is too small to make a material difference.

Some of our member agencies have expressed concern about the effect of the proposed tax program on the ministry which we know as "short-term service." These "short-termers" go as official personnel of the mission to replace temporarily a regular missionary or to supplement his work. This problem would be met by a general exemption on official travel by missionary organizations. Otherwise the extra expense involved would be almost prohibitive in some cases severely curtailing some programs.

In another letter received this week, an interesting comment is made pointing up the fact that the missionary will not escape some of the consequences of the travel-tax program in any case, and it would be a double hardship on missions if missionary personnel are subjected to the tax. This statement is made: "Nations affected would undoubtedly take some retaliatory action to offset the loss of sales to persons vaca-

tioning and sightseeing in their countries. The missionary in the country would most likely take the brunt of this."

Missionary personnel would be affected by the proposed change in customs allowance per trip, but since this would not limit our essential functions or operations, we interpose no objections. Whether it is wise or not will have to be left to the judgment of the legislators. The tax on daily living expenses is another matter. Since missions personnel travel on a frugal budget the exemption amount of $7 per day would suffice in most cases. By the same token, in circumstances where it was necessary to exceed this amount, the tax would make it all the more difficult to meet expenses; yet the contribution to the objective of the travel-tax program would be virtually nil.

In summary we are urging the exemption of official missions personnel from both the transportation tax and the expenditure tax.

A valid consideration is the possibility of abuse if missionary personnel are exempted. We do not feel this would be a serious problem, but recognize that safeguards might be desirable. One way to do this would be to place a ceiling on the annual expenditure for overseas travel by each missionary agency based either on its total budget or the number of missionaries serving outside the United States. More investigation would be required to determine which would be the most equitable and feasible to administer.

Mr. Chairman, we will be pleased to answer any questions you or the members of your committee have about the testimony we have presented.

Mr. HERLONG. Do you have any questions, Mr. Utt?

Mr. UTT. I have none, no.

Mr. HERLONG. I would like to just say thank you for this statement, sir. I for one am aware of the wonderful work that the missionaries did do prior to World War II to make things easier for a lot of our people who were over there.

You are certainly to be complimented on that and in my judgment you did a great deal and you have done a great deal more for many of these countries than all the foreign aid programs put together have done.

I just want to compliment you and tell you that I appreciate the constructive suggestions that you made in this statement that you have given us. We shall certainly look carefully into it. Thank you both very much.

Mr. ROBERTSON. Thank you, sir.

Reverend COGGINS. Thank you, sir.

Mr. HERLONG. The next witness is Mr. Leon O. Stock. Mr. Stock, do you have a statement.

STATEMENT OF LEON O. STOCK, PEAT, MARWICK, MITCHELL & CO., ON BEHALF OF H. J. HEINZ, CO., STAR-KIST FOODS, GENESCO, INC., OLIN MATHIESON CHEMICAL CORP., ATLAS CHEMICAL CORP., STATES MARINE LINES, STANDARD PRESSED STEEL CO., THE GILLETTE CO., MAX FACTOR & CO., AND DATA PROCESSING FINANCIAL & GENERAL CORP.

Mr. STOCK. No, sir.

Mr. HERLONG. You just want to speak——

Mr. STOCK. Just a few words.

Mr. HERLONG. All right, sir. Will you please first identify yourself for the record.

Mr. STOCK. Mr. Chairman, my name is Leon O. Stock. I am a principal in the international accounting firm of Peat, Marwick, Mitchell & Co. I am here today on behalf of the following corporate clients: H. J. Heinz Co., Star-Kist Foods, Genesco, Inc., Olin Mathieson Chemical Corp., Atlas Chemical Corp., States Marine Lines, Standard Pressed Steel Co., the Gillette Co., Max Factor & Co., Data Processing Financial & General Corp.

Mr. Chairman, I believe that remedial action is required by this committee to overcome the damage which I anticipate as the result of the recently promulgated regulations by our Department of Commerce, specifically, the regulations dealing with the mandatory repatriation of profits.

I am not here to quarrel with mandatory repatriation as such.

However, I do believe that it is entirely wrong for the Department of Commerce to provide for mandatory repatriation of profits on a U.S. taxable basis. It is my understanding that we are confronted with a dollar problem and not a tax problem, and the dollar problem can be resolved through a repatriation without taxation.

The current regulations of the Commerce Department provide that to the extent that foreign profits are required to be repatriated to a U.S. parent company, the foreign subsidiary shall transfer in dollars those profits to a bank account in the United States in the name of the parent company.

Now, any time a subsidiary transfers funds to a U.S. parent company you have a dividend. That dividend consequently means U.S. taxation.

Now we could have just as easily had the dollars return home by simply providing, among other things, that the foreign subsidiary shall transfer amounts representing its earnings to a U.S. bank account in the name of the foreign subsidiary itself and the foreign subsidiary would agree that the funds so transferred to a U.S. bank account will remain in that account for a period in excess of 12 months and certainly not to be removed or withdrawn before the expiration of the Commerce Department regulations and our dollar crisis.

Now, if the transfer were made for a period in excess of 12 months, then for the purpose of our balance of payments position no foreigner has a short-term claim against the United States. As such this deposit would represent a dollar inflow and would enhance the position of the United States in terms of balance of payments.

Now, there are other ways in which the dollars could be returned home without taxation. So we on the outside are asking ourselves: Do we have a dollar problem, or do we have a tax problem?

If we have a tax problem, then it would appear that the problem belongs here and not in the Department of Commerce.

I respectfully submit that the tax implications arising out of the regulations promulgated by the Department of Commerce are in direct contravention of the Revenue Act of 1962 which prescribes the rules for the taxation of overseas earnings.

Let us consider just for 2 or 3 minutes the effect of this regulation if it is permitted to continue. A typical case would be an un-

developed country such as the Republic of Ireland. In order to industrialize the country, attract foreign capital, foreign know-how, and provide job opportunities for their people, they necessarily have to offer tax incentives and cash grants.

An American company enters the Irish picture by establishing a manufacturing subsidiary in Ireland. It assumes all the risks and all the hazards that go with an undeveloped country because of the tax incentive. This regulation would require that Irish subsidiary to ship back all or most of its profits to the American parent company where it would be taxed, United States-wise. The Irish exemption, accordingly, would be completely nullified by the U.S. tax and in a sense we have the ridiculous position of an undeveloped country like Ireland granting the equivalent of foreign aid to the United States by waiving their tax in favor of the American tax.

Now, the net effect must be that these subsidiaries already in Ireland will find ways and means of engaging in expansion, perhaps ill-advised and premature expansion, in order to avoid repatriation and unnecessary taxation.

With regard to the developed countries, let's take a country like France. The American company has a subsidiary in France. The French subsidiary pays 50 percent corporate tax. It is now required to repatriate French profits to the American parent company and in the course of that repatriation, as required by the Commerce Department regulations, the French will assess a withholding tax of 15 percent on the repatriated amount. That 15 percent only serves one purpose. It enhances the French treasury to the detriment of the United States and the taxpayer.

Now, there is no reason why French profits can't be put on deposit here without taxation in the name of the French subsidiary under terms which will make it mandatory for those dollars to remain here during the period of our crisis.

Gentlemen, to conclude my discussion, I think that when this committee initiated the Revenue Act of 1962 and provided favorable provisions for undeveloped countries, you must have had in mind in part the fact that if foreign capital, American capital, helps to industrialize the undeveloped countries, we, the United States Government, will have to provide that much less foreign aid.

The Commerce Department regulations run directly counter to that philosophy as reflected in the Revenue Act of 1962.

To conclude, we on the outside are very much puzzled by what would appear to be a rather callous indifference on the part of our Treasury Department to a regulation that has heavy tax overtones such as the one we are considering here.

The Treasury Department says, "We didn't promulgate this regulation. Therefore, it is not our responsibility."

But I can't conceive of a treasury department anywhere in the world not being concerned with a measure which in essence is a tax measure, and for this reason, gentlemen, I think that this committee must consider the problem and help get it resolved.

Thank you.

Mr. HERLONG. Thank you very much, Mr. Stock, for your very forthright presentation. I for one appreciate the problem that you have and I am sure Mr. Utt does too.

Do you have any questions, Mr. Utt?

Mr. UTT. I have no questions. I want to say that I agree that foreign investments are the only ones that bring back money into the United States, or eventually when the dividends are repatriated, and that there should not be a mandatory repatriation just in order to get another tax bite.

Then of course it is going to force you to borrow again in foreign markets at a higher rate of interest and use dividends for expansion.

Mr. STOCK. Sir, I might add in addition to what you just said that 4 or 5 weeks ago I had a meeting with the Assistant Secretary of the German Treasury and he took occasion to tell me that his government was very much concerned at the fact that German industry was not exporting enough capital so that one day the flow back of foreign exchange on foreign investments would not be forthcoming to Germany.

They were doing everything in their power to encourage German industry to establish subsidiaries outside the country. He said, "Your restrictions on overseas investments we find rather pleasing because it enhances our opportunity for German industry to go out and get a foothold in various countries."

And I might add that the Government of Ireland, with whom I took this matter up about 5 weeks ago in Dublin, is understandably very much alarmed because their program will go right down the drain if repatriation is not permitted on a nontaxable basis.

Mr. HERLONG. Mr. Burke will inquire.

Mr. BURKE. Do you know what the business community abroad or foreign governments think of the repatriation requirements?

Mr. STOCK. The Irish Government representatives with whom I discussed the regulations in Dublin are concerned as to the effect they may have on their industrialization program, particularly the U.S. tax on repatriated profits.

Our offices in Europe have made the point that the taxable nature of the repatriation requirements will serve to enhance foreign tax revenues through the withholding of taxes.

Mr. BURKE. Should not a foreign subsidiary which is free of foreign taxation be required to distribute its foreign earnings not needed in the business and pay U.S. tax?

Mr. STOCK. In the case of an underdeveloped country in which the business risks and hazards are great, tax incentives must be offered. A requirement to currently distribute dividends would simply serve to nullify the benefits of the foreign tax incentives.

Thus, U.S. capital would simply not be attracted to the less-developed countries desperately in need of foreign capital and know-how. The Revenue Act of 1962 reflects an understanding of these underdeveloped countries' needs.

Mr. HERLONG. Thank you very much, sir. We appreciate it.

Mr. STOCK. Thank you, sir.

Mr. HERLONG. The next witness is Mr. Evan L. Krogh. Is Mr. Krogh here, K-r-o-g-h? If he isn't here the next witness is Mr. Ed Hall.

Mr. Hall, we know you well; but for purposes of the record would you please identify yourself and proceed in your own way?

STATEMENT OF EVAN S. HALL, FREEDOM, INC.

Mr. HALL. My name is Evan S. Hall, secretary and chief engineer of the Freedom, Inc., Farmington, Conn. I brought down two statements. The longer one I would ask to be put in the record.

Mr. HERLONG. Without objection that statement will be included at this point in the record.

(Mr. Hall's prepared statement follows:)

STATEMENT OF EVAN S. HALL, SECRETARY, FREEDOM INC.

(Summary by Milton Friedman)

"How low we have fallen! The United States, the land of the free, prohibits its businessmen from investing abroad and requests its citizens not to show their faces or open their pocketbooks in foreign ports. The United States, the wealthiest nation in the world, announces that its foreign policy will no longer be determined by its national interest and its international commitments but by the need to reduce spending abroad by $500 million . . . less than 1 percent of total consumer spending. . . . The President has not hesitated to recommend total Federal expenditure approaching $200 billion."

Travel tax red tape will prevent people from traveling abroad more than it will raise $500 million revenue which, after all, isn't a pint in the whirlpool. The President's Balance-of-Payments Program starts from a false assumption (worrying about the wrong deficit) and is unnecessarily complex and pitifully inadequate. It will not stop our creeping inflation (from budget deficits) from running away to ruinous inflation. What will?

Our trouble starts from a policy mistake. Our economic policy has been deficit spending of credit created by banks as they "monetize" the bonds, to achieve adequate economic growth and almost full employment with "reasonable price stability". This "reasonable price stability" is a fraud, just another name for price inflation. Inflation doesn't just happen; it is a crime committed by Government. Inflation caused the free-market price of silver to exceed the coin value, inviting people to profit by hoarding silver coins causing them to disappear. Prices now are about three times what they were in 1934 when the commitment was made to buy gold from, or sell gold to, foreign governments and their central banks at $35 an ounce. Reducing the buying power of the dollar to about one-third what it was in 1934 invited France and other nations to profit by trading their inflation-weakened dollars for gold from our reserve at $35 an ounce, causing half our $26 billion gold reserve to disappear. Foreign claims of $33 billion on the remaining $11 billion are still outstanding. What ought we to do? Reduce the $3.5 billion balance-of-payments deficit? No. We must reduce the budget deficit to zero, to restore and then maintain the buying power of the dollar, and achieve free-market price stability as a solid monetary and fiscal framework within which economic growth and employment will surpass the record of the past seven years.

Congress has the power to manage money in a way that will keep the free-market price level stable. Congress has the power; all it needs is know-how and the will to act. Economists or not, anyone familiar with elementary algebra knows that

$$\frac{\text{the number of DOLLARS spent}}{\text{the number of units of COMMODITIES paid for}} = \text{average commodity PRICE} = \text{free-market PRICE level}$$

If Government could raise the numerator, dollars, at the same rate that business raises the denominator, Commodities, the value of the ratio, Price, would be stable. But how?

Neither the Federal Reserve (with monetary measures) nor the Administration and Congress (with tax and fiscal measures) can predict and deal correctly with the velocity rate of turnover of dollars being spent next year—or next week. We need an automatic governor which, if the free-market price level rises, will raise the rate of a tax on the national income, taking dollars out of our personal pockets and reducing the demand for commodities—and conversely—making the free-market price level stabilize itself.

Automatic free-market price stability!

All we need is a law that will untax business and apply the incentive of profit (and risk of loss) to all concerned (employers, employees, and the tax collector), a law that will:

(1) Enable employers (instead of withholding and paying income and employment taxes under the Internal Revenue Code of 1954 as amended) to withhold a single tax on profit, salaries and wages. Broadest tax base (national income) insures lowest rate.

(2) Raise (or lower) the tax rate automatically as the free-market price level rises (or falls) and issue limited amounts of new money (currency and deposits) to raise the quantity of money as business raises the quantity of goods, to restore and maintain the buying power of the dollar and establish free-market price stability (and to overbalance the budget and reduce the bank-held debt).

The dollar will return to its position as the internationally accepted money unit and capital reserve good as gold at $35 an ounce; the drain on our gold reserve will cease and gold will flow in. Our competitive position in world markets and balance of payments will improve. With a strong and stable dollar, contracts will be valid and the same pay will buy the same or better living year after year.

(3) Pay the balance of profit after tax (or the loss), partly in cash dividends and partly in business property ownership credited (or charged if a loss), to the owners in amounts proportional to their several business property and personnel ownerships as measured by their respective amounts of money invested (book value) and year's pay.

Comparisons made from annual reports show that, in a profitable business, whether you are an employer (an owner of business property) or an employee (the owner of yourself, a part of business personnel), you will get your part of profit and may pay a higher tax, yet the change to this single-tax law will pay you a take-home raise.

(4) Pay government employees an after-tax "dividend" added to their pay, from and in proportion to the billions they save and return to the Treasury. They will work more efficiently, reduce waste, and spend less.

(5) Let the needy change from partial to total security, adequate cash aid added to their other incomes, if any, to enable them to buy food, clothing and housing, plus payment of all their medical bills, locally administered by social workers and the clergy, and paid from income-tax revenues.

No accounting overhead. Lowest cost. Free-market medical care for all. Total security.

When employers and employees are limited partners receiving their parts of profit or loss, they will all try to increase profit and prevent loss. No strikes. Dividends on the ownership of business property (stock) acquired by employees reinvesting part of their profits will care for seniority and retirement in the natural way. No need for pensions. When income distribution is just and currently complete, we can buy all the capital goods and consumer goods in the free market as fast as we produce them. Ever-normal inventories. Continuous employment. No recessions. For civilization's basic economic problem, income distribution: the right answer.

An example of strikeless and steadily growing prosperity in partnership capitalism will shine with a light so bright it will pierce the iron-bamboo curtain and expose Karl Marx as a quack. Communists and other socialists will be left without a mission, left with no "wage slaves" to "liberate", left with nothing to fight for. Their "wars of liberation" will collapse. We can lead the world toward peace.

Mr. HALL. And the shorter one I will read and comment upon.

Mr. HERLONG. Do you have a copy of the statement for the record?

Mr. HALL. Everybody has them.

Mr. HERLONG. I didn't see it here.

Mr. HALL. There are two statements. The one is on both sides of one page—that is a two-page statement—and the shorter one is only one page.

Mr. HERLONG. Thank you.

Mr. HALL. Let's go through the shorter one and I may have some comments on the way.

Travel tax red tape will reduce travel rather than raise $0.5 billion revenue. Investment restrictions are self-defeating. The 10-percent surtax is simple but inadequate. The $3.6 billion balance-of-payments

deficit would take care of itself if we would eliminate the $8 to $30 billion budget deficit. We worry about the wrong deficit. And doing nothing now will impose more of the top-rate surtax, ruinous price inflation.

Inflation caused the market price of silver to exceed the coin value, inviting people to profit by melting silver coins, causing them to disappear. In similar fashion, inflation caused the real price of gold to exceed the price fixed in 1934 by our commitment to buy gold from, or sell gold to, foreign governments at $35 an ounce, inviting France and other nations to profit by trading 34 30-cent dollars for a $35 ounce of gold from our reserve, causing half our $26 billion gold reserve to disappear. Foreign claims of $30 billion on the remaining $12 billion are still outstanding.

Technically, we are broke, and a lot worse than broke.

Our trouble stems from a long-continued economic policy mistake (unlimited deficit spending of credit created by banks as they "monetize" the bonds, to achieve economic growth and full employment with "reasonable price stability"). This "reasonable price stability" is a fraud, just another name for price inflation.

I might put in here that a wise and honest government would never tolerate inflation. It would manage its money in a way that would keep the free-market price level stable.

Congress could, and should, manage money in a way that would keep the free-market price level stable. Anyone familiar with elementary algebra knows that the number of dollars spent divided by the number of units of commodities paid for is equal to the average commodity price and that can be equal to the free-market price level.

If Government could raise the numerator, dollars, at the same rate that business raises the denominator, commodities, the value of the ratio, price, would be stable.

Now, as a matter of fact, for the last several years by deficit spending without any limitation on it we have been increasing the money supply of the country at about 12 percent a year, while business has been increasing the supply of commodities about 5 percent a year. This is the cause of price inflation.

It is money inflation, the cause of price inflation, and no government should do that.

If we had a stable price level just think what that would mean? We could plan and invest and save with confidence in the future value of the dollar. Contracts would be valid and the same pay would buy the same or better living year after year.

We wouldn't have any of this trouble. We wouldn't have lost any gold. We wouldn't have lost our silver coins. We wouldn't have imposed the cruelest tax of all on the poor—price inflation.

It is the duty and responsibility of any government to maintain the value of its money substantially constant.

Neither the Federal Reserve (with monetary measures) nor the Administration and Congress (with tax and fiscal measures) can predict and deal correctly with the velocity rate of dollars being spent next year—or next week. We need an automatic governor which, if the free-market price level rises, will raise the rate of a tax on the national income, taking dollars out of our personal pockets (reducing the value

of the ratio, price)—and conversely—making the free-market price level stabilize itself. Automatic free-market price stability; never, no more inflation, no deflation.

All we need is a law that will enable employers (instead of withholding and paying income and employment taxes under the Internal Revenue Code) to withhold a single tax on profit, salaries and wages; and issue limited amounts of new currency to raise the quantity of money as business raises the quantity of goods, to restore and maintain the buying power of the dollar and establish free-market price stability as a solid monetary and fiscal framework within which economic growth and employment will surpass the record of the past 7 years. Overbalance the budget and reduce the debt. Pay the balance of profit after tax (or the loss), partly in cash dividends and partly in business property ownership credited (or charged if a loss), to the owners of business, giving the employers and employees a take-home raise.

Untax business. When you have a tax on gross personal income you are not taxing business at all. You tax profit once as it is distributed to the individuals, to the owners of business. You don't tax it twice. Untax business. Stop warping business decisions with taxes. Apply the incentive of profit (and risk of loss) to all concerned (employers, employees, and the tax collector). Give everyone a personal stake in high profits. Set an example of strikeless and steadily growing prosperity. Communists and other socialists will be left with no "wage slaves" to "liberate," left with nothing to fight for. Their "wars of liberation" will collapse. We can stop communism something you can't do by military force, and lead the world toward peace.

"To assure the integrity of the dollar at home and abroad" the committee in executive session could vote for the chairman to introduce the freedom tax bill now and set up hearings on it.

Mr. HERLONG. Thank you, Mr. Hall. I would like to comment simply that I think we have been shooting at the wrong deficit all the time too and we could get some help from that area if we could persuade some people not to spend so much money.

Do you have any questions, Mr. Utt?

Mr. UTT. No, sir.

Mr. HERLONG. Thank you very much. We appreciate your contribution to the committee.

Mr. HALL. Do you realize that I have in this bill of mine without repeaking the Internal Revenue Code taken all the complications out of it? This bill begins "Every employer, instead of withholding and paying taxes and income and employment taxes under chapters 1, 2, 3, 6, 21, 22, 23, 24, and 25 of the Internal Revenue Code of 1954, as amended, shall withhold a flat percentage on profit, salaries, and wages and pay the balance of profit after tax (or the loss) to the owners of business the property owners and the personnel owners, in amounts proportional to their respective amounts of money invested and year's pay."

Mr. HERLONG. Thank you very much.

May I say at this time that there have been a number of other statements that have been filed with the committee for inclusion in the

record, so without objection they will also be included in the record following the testimony that has been given.

This completes the hearing schedule on the current balance-of-payments proposals submitted by the Treasury Department. The record of the hearings will remain open for the submission of any data and so forth which has been requested until the close of business on Friday, March 8, 1968.

When the committee adjourns today we will adjourn to meet again on Wednesday, March 6, 1968, at 10 a.m. in executive session on this subject.

The committee will now stand adjourned until next Wednesday morning.

Thank you, all of you.

(Whereupon, at 10:33 a.m., the committee adjourned.)

MATERIAL RECEIVED FOR THE RECORD

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., March 6, 1968.

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

DEAR MR. CHAIRMAN: I am writing concerning the President's travel tax program which was recently presented to the distinguished Committee on Ways and Means.

All of us, as representatives of the people, share with the President deep concern over our balance of payments deficit. I feel an obligation to join in the quest to reduce this severe deficit. I have attempted to carefully review this complex proposal and to carefully assess testimony offered to your Committee. specifically in terms of the effect of this program on low and middle income persons and elder citizens.

If we are going to accept the Administration's travel tax program, then I believe it is essential that we broaden categories specifically to exempt such groups as elder citizens over 65 years of age.

Americans work hard all their lives so that they can enjoy the benefits of retirement. This includes the right to travel, perhaps even to visit their ancestral homeland. It is inconceivable to me that these elder citizens should be required to pay any expenditure tax.

I have carefully studied travel figures and costs, and I can see no significant benefit being derived from including older Americans under this program. Such inclusion may indeed prohibit a disproportionate number of retired citizens on fixed incomes from enjoying travel opportunities.

For instance, using the latest passport figures, approximately 150,000 older Americans annually travel outside the Western Hemisphere. Based on average daily expenditures of $16.73 as outlined by the Secretary of the Treasury before your Committee, this means citizens over 65 will pay around $8.5 million annually in expenditure taxes under this program. This is a paltry amount when you consider savings under the expenditure tax program have been placed in the neighborhood of $250–$300 million and when you in turn consider the restrictive effect that it would have on elder citizens.

The proposed travel tax program also contains a provision exempting students for educational purposes, if he spends at least 120 consecutive days abroad. The provision includes students enrolled full-time at a foreign educational institution and those engaged in full-time educational activities related to a course of study in the United States. In my judgment, students pursuing educational activities overseas for any length of time should be exempted from the travel tax. I urge the Committee to drop the 120-day provision.

I also believe that greater effort should be made to encourage foreigners to visit our country. To achieve that end, we must strengthen our travel promotion program. The plan to offer "travel stamps", which I co-sponsored, is a positive

move to induce foreigners coming to the United States for the first time. In addition, I believe the recommendation of the Task Force on Travel should be carefully reviewed. Such policies would not only help to equalize our balance of payments, but might replace the need for stringent travel restrictions.

Mr. Chairman, in considering the Administration's proposed travel tax program, I urge that the Committee on Ways and Means give special attention to the foregoing suggestions.

With kind regards, I am,

Sincerely yours,

LEONARD FARBSTEIN,
Member of Congress.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., March 7, 1968.

HON. WILBUR B. MILLS,
Chairman, Committee on Ways and Means,
House of Representatives,
Washington, D.C.

DEAR MR. CHAIRMAN: I am writing to submit for your consideration an amendment to the proposed legislation to tax the foreign travel of Americans.

Like you, I am not persuaded that this legislation is either necessary or wise. But if, in your judgment, it becomes necessary to enact this legislation, I consider it important that in so doing the Congress not defeat American foreign policy objectives in the less developed countries. I would like to propose that your Committee exempt from the provisions of the tax any travel undertaken in those countries officially designated by our government as "less developed".

You are aware, of course, that President Johnson has—despite the balance-of-payments problem—made special appeals for assistance to the less developed countries. He has set up a special category in order to avoid discouraging American investment in these countries. Clearly, he believes it is in our national interest to support the economic growth of these countries.

In recent testimony before the Committee on Foreign Affairs, Mr. William S. Gaud, Administrator of the Agency for International Development, stated that the sums spent by American travelers in the less developed countries was—in terms of our international payments deficit—really quite negligible. His testimony indicated that the inclusion of the less developed countries within the scope of this legislation would be far more damaging to them than it would be advantageous to the United States. I conclude from Mr. Gaud's statements that exemption of the less developed countries from this legislation would not meet any objections from the Administration and might, in fact, be strongly endorsed.

The legislation in question, as I understand it, already proposes to exempt the Western Hemisphere from the travel tax. My proposal would, in effect, add the countries of Asia and Africa, less those whcih acquire substantial foreign exchange from oil exports. Western Europe, where the overwhelming proportion of American tourist dollars are spent, would not be affected.

I appreciate your consideration and I look forward to testifying before you on this amendment at any time.

With kind regards, I am,

Sincerely yours,

LEONARD FARBSTEIN,
Member of Congress.

STATEMENT OF HON. FRANK HORTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

I wish to thank the Chairman of this Committee for the opportunity to testify on this important legislation. I am here in the first instance to express my firm opposition to the travel restrictions which your Committee is now considering, and in the second instance to suggest that there are far better alternatives to these travel restrictions. It is imperative that we resist the urge to choose short term and dramatic answers to problems which require long term solutions.

What we need are workable alternatives which will overcome the serious balance of payments deficit position in which we now find ourselves. In my opinion the President's travel tax is just such a short term and a negative solution to this serious economic problem.

I do not intend to take your time with the many technical objections that can be made to the travel tax proposal. I do not believe that anyone can question the fact that this is a most inequitable tax, and a difficult one to enforce. If this proposal were adopted, we would be in danger of inducing a "bootleg" era with respect to travel abroad.

I wish to stress also that the proposed restrictions are wrong in principle. It has long been a cherished freedom of the American people that they have a right to travel freely without undue restrictions anywhere in the world—that is, anywhere in the world except in those very few danger spots where their lives or property are in clear jeopardy. Let us not forget that every time an American goes abroad he becomes an ambassador of our way of life. Not only does he get a better understanding of the needs, the way of life and thinking of the people he meets, but they, in turn, get a better appreciation of our country. This is a benefit that we should not lightly toss aside. If we were in the position where such a proposal would either settle or be even a major step towards the solution of our balance of payments problem, then I feel that the people would be willing to temporarily relinquish this "cherished freedom". But this is not the case.

Any restriction of this nature would only serve to destroy the image of the economic leadership we have built with our investments abroad and this factor could hurt our balance of payments more severely than any returns a travel tax could realize.

I admit, of course, that the President's proposal does not prohibit travel abroad but merely places a tax on such travel. This is true for those who can afford the tax, but this is not true for those Americans who have scrimped and saved a lifetime for a trip abroad, or for students and educators whose travel and study abroad is important to a nation which is the leader of the free world.

For the first time in the history of our nation American banks are acting as international financial institutions. By enacting a travel tax of this type we would be admitting that we do not have the financial leadership capable of finding equitable solutions to our balance of payments problem. We might learn a lesson from Britain, or Canada which, in the past resorted to travel restrictions as a solution to their balance of payments problem and subsequently abandoned them.

I am strongly opposed to these taxes because they constitute a direct slap in the face to our foreign partners with whom we, after many months of effort, successfully negotiated the Kennedy Round. You will recall that the President in his Economic Message of February 1 stated, "The Kennedy Round was completed on June 30, the most successful multilateral agreement on tariff reduction ever negotiated." He continued, "We will continue to work with our trading partners in the GATT and in other bodies to find new approaches to the liberalization of world trade with urgent consideration given to known tariff barriers."

I think it completely inconsistent to consider the travel component of our balance of payments deficit apart from exports and imports of goods. Surely the purchase of a plane ticket is in principle no different from the purchase of a foreign automobile. There is hardly a foreign owned airline that is not spending many times more money in the U.S. than it receives from the passage of Americans going abroad. Do we expect American planes to fly to Europe empty to pick up European passengers bound for our shores? It is foolish to believe that we will be able to attract an increasing number of foreign visitors to this country at the same time that we are putting formidable roadblocks in the path of our own people who wish to travel abroad.

Furthermore, I would like to add that I think it highly probable that even our own American carriers—both airlines and the merchant marine carriers—are likely to suffer. It seems unwise to design programs to increase the operating differential subsidies we pay for our merchant ships when they are engaged on regular trade routes to Europe, and at the same time take action which threatens their revenues.

I am certain that it has occured to the members of this Committee that the imposition of such a proposed tax would invite retaliation from those countries that would be affected. Why should we endanger the economics of our staunch

European allies for whom the tourist business is a vital ingredient of economic stability and growth? We have witnessed the efforts of the British to put their economic house in order by means of a painful devaluation. We find ourselves partially in this present economic difficulty because the Administration's financial advisors failed to come to the realization that the devaluation of the pound was inevitable.

Regardless of the fact that our support of the pound was one of the factors which caused our present economic crisis, Britain has every reason to expect that the reduction in the cost of travel for Americans and other foreigners in the British Isles would mean a healthy spurt to the tourist business in Britain. So, too, for countries like Ireland, Italy, Greece and Norway which would be severely hurt if these taxes have the effect they are designed to achieve. Does it rationally follow that America would on the one hand put the stability of the dollar on the line in support of the pound in crisis, and then turn around and intentionally destroy one of the prime incomes that Britain has? I think it does not, and any of these countries which would be drastically affected would be likely to retaliate in kind.

In essence, I am convinced that the approach of the President's travel restrictions is completely negative. I feel so particularly since there are very reasonable and practical alternatives to the tax. I think it is much more important to do far more to encourage travel to this country, rather than curtailing the benefits of travel abroad to our own citizens. Some of these alternatives are already familiar to you. You know of the efforts of the United States Travel Service which even within its modest budget is starting to be very effective. Certainly increasing appropriations for this agency would do a great deal to attract many more foreigners to our shores and would be in keeping with our past policies.

I want particularly to call the attention of this Committee to another proposal which I am sponsoring, along with 17 other members of the House: H.R. 14779, the Travel Incentive Act of 1968. Under this bill, each European traveler coming to the United States for the first time would receive from our Federal government stamps worth $100 in transportation and accommodations. I am firmly convinced that this incentive could attract at least half a million additional European tourists to this country each year. On the surface we might suppose that this hundred dollars per tourist for 500,000 tourists would cost our government $50 million, but this is not so. The net cost of the program will be zero because of the jobs and income generated by this increased travel to America. The total amount of this subsidy to European travelers would find its way back to the U.S. Treasury in the form of added tax revenues. This bill would benefit both government and private enterprise. It would achieve three worthy goals: unrestricted travel for our citizens as in the past, strengthened international understanding, and a decided improvement in the balance of payments.

It is very disturbing to me to think that the Administration has put forward a proposal of this kind which is, in many ways, inconsistent, which contains so many elements of danger to international goodwill, and which actually thwarts a basic solution of the balance of payments problem itself.

Mr. Chairman, once again I would like to thank you for your careful attention to the testimony which I have offered today in regard to the proposed travel tax. I hope sincerely that my views will aid you in making a just and wise decision on this proposal.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., March 5, 1968.

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

DEAR MR. CHAIRMAN: The President's proposed tax on international air fares and travel outside the Western Hemisphere causes me great anxiety. I am especially concerned about the effect the tax would have on the American Field Service International Scholarship Program.

As you know, this program sponsors the exchange of American and foreign students. Thousands of foreign students attend secondary school for one year in the United States, living in a typical home situation, and participating in all of the family activities. The benefits are long-lasting and incalculable.

Hundreds of American students receive the benefits from living in another country, and additional thousands participate in a chaperoned summer tour of foreign countries under A.F.S. auspices. Having served as a chaperon for such an education experience in the summer of 1960, I know personally the value this experience has for our students.

Under the President's proposal, each of the students would be subject to the 5% tax on air fares, and the summer program tours would be subject to the general travel tax proposal.

I believe strongly in the significance of the A.F.S. program and oppose any action which might stall, hinder, or disrupt the program in any way. If the Committee recommends favorable action on the President's proposals, may I suggest that an exemption be granted the A.F.S. program.

I am sure I speak for the thousands of students, parents and other persons who have seen this splendid program in action.

Respectfully,

BURT L. TALCOTT,
U.S. Congressman.

STATEMENT OF HON. ED REINECKE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

INTRODUCTION

Mr. Chairman, I am deeply grateful for this opportunity to present my views on the taxes the administration has proposed to cut back the deficit in the travel component of our balance of payments. I fully concur with the administration and, I am sure, with all the members of this committee that the balance of payments deficit is a serious matter and needs Congressional as well as executive attention. However, I am thoroughly convinced that the proposals of the administration with respect to the various taxes designed to restrict the travel of Americans abroad are unsound in principle and unworkable in practice. I would urge you to reject them.

INCONSISTENT POSITION OF THE ADMINISTRATION

From the evidence that has been accumulating in the two months since the President, on January 1, made his appeal to the American people to forego travel outside the Western Hemisphere for the next two years, including especially the testimony your committee has already received, it seems clear that the administration had hardly thought through the consequences of its recommendations. It underestimated that value of travel abroad, both to our own citizens, and to the countries which they visit. It had totally inadequate data on which to determine any kind of equitable and workable expenditures tax. To the best of my knowledge, the administration has even at this date not yet released an estimate of what revenues this expenditures tax is expected to yield. It failed to realize the full extent to which these taxes are contrary to the spirit of the Kennedy Round, and how they are all too likely to revive retaliatory protectionism on the part of those nations who are most adversely affected by a sharp drop in American tourist travel abroad.

An ironic sense of the administration's uncertainty, not to say its ambivalence of purpose, is reflected in the fact that in the very week that the administration's chief spokesman, Henry Fowler, Secretary of the Treasury, submitted to you the administration proposals, every Congressman received a stack of pamphlets from another agency of government, the Public Health Service, entitled, "1967–68 Immunization Information for International Travel." These were clearly designed to make it easier for Americans to travel abroad, to see that they would be healthy during their sojourn in foreign lands. Handing out this kind of literature for free is hardly a way to tell constituents that your government doesn't want you to travel abroad if it is not essential.

A CONSTRUCTIVE APPROACH TO THE TRAVEL DEFICIT

Fortunately there have been recent signs that the administration itself is paying less attention to this negative approach to solving this balance of payments deficit and considering a more positive approach, putting more emphasis on how

we can encourage more foreign visitors to this country, rather than restraining our own people.

This is a matter which can involve the welcome cooperation of government and business. Signs of such working together towards a mutually beneficial goal are already to be seen. The President's Business-Government Task Force on Travel on February 19 announced a series of steps which will or can be taken to attract more foreign visitors here. Seven U.S. hotel-motel chains have cut rates for visitors from outside the Western Hemisphere by up to 40 percent. The three largest car rental agencies have cut their rentals by 10 percent for these visitors. If government and regulatory agencies approve, there will be a 50 percent reduction of domestic air fares and 25 percent reductions in round-trip air fares to the United States, as well as reductions on rail, steamship and charter bus fares. If the Congress approves, visa requirements for business travelers and tourists from outside the Western Hemisphere will be waived on trips of up to 90 days; "hospitality cards" will be supplied them entitling them to discounts on spending in the United States, and permission would be granted them to land at more than one United States port on cruise ships.

These steps, together with a possible strengthening and expansion of the United States Travel Service, should, I believe, do far more towards rectifying the balance of payments deficit, and do it positively, than the administration tax measures themselves which attack the problem in an essentially negative way.

It would also be constructive to take more active measures to stimulate export of goods from this country, possibly providing businessmen with tax incentives to increase their promotional activities abroad, in order to familiarize potential foreign buyers with American products and their particular merits.

SPECIFIC FAULTS OF THE ADMINISTRATION'S TRAVEL TAX PROPOSALS

With the promise of these constructive steps, I do not need to take much more of your time, Mr. Chairman, in pointing out the specific reasons why I believe the Congress would be making a serious mistake if it were to pass these tax measures. I will list but six reasons.

1. The tax represents an effort to restrict the travel of Americans that runs entirely counter to our belief in the freedom of movement and expression of all Americans. It fails to recognize that Americans abroad are our best ambassadors. International goodwill and understanding are fostered by the freedom to travel by Americans abroad just as much as by foreign visitors here.

2. The tax will hit most severely the low to moderate income tourist, the student, the retired, and many with relatives abroad. It will be no deterrent to the wealthy, those whose substantial purchases have the most harmful effect on the balance of payments.

3. Not only the individual students and moderate income traveler, but many organized groups of students and other cultural groups would be seriously affected by the expenditures tax. Such groups usually plan expenditures down to the last penny, taking advantage of group rates at every opportunity, so to obtain maximum cultural and educational benefits from their travel. It is clear that the additional expense which this tax will impose will be sufficient to prevent most of these groups from making and planning trips, and will severely curtail the number of participants in other groups. The reduced numbers in turn will raise the cost for those remaining in the group, since many travel and accommodation rate reductions depend directly on the size of the group.

4. The tax is counter to the spirit of the Kennedy Round. Travel should not be considered as an isolated factor in the balance of payments. There is abundant evidence that payments by Americans for passage on foreign air and steamship lines, and to an only slightly lesser extent within foreign countries themselves, return in substantial measure to this country in terms of purchases of planes, machinery, food, and other commodities and services. If the taxes proposed by the administration should be enacted, they might perhaps cut down on the deficit in the travel account, but these would be an adverse effect in the export of U.S. goods and services.

5. It is futile to expect that foreign countries would not retaliate against the imposition of a travel tax, when the stability of their economies, in many instances, is dependent on the tourist trade.

6. The expenditures tax, a major part of the administration's travel tax proposals, is administratively difficult to enforce and relatively easy to evade.

Customs and Internal Revenue personnel would have to be increased by more than 1,000 to administer the provisions of the act which require a deposit before departure and a record of expenditures for final computation of the amount of tax due. The press has already suggested a variety of means by which the would-be traveler could circumvent payment of the tax. We surely don't want to return to a bootleg era, such as we had in the 1920's.

CONCLUSION

Therefore since these taxes would be an unwarranted infringement in the freedom of Americans, and would invite retaliation, since the purpose of the tax can be achieved far better by the encouragement of travel to this country, and since it would be most difficult to enforce, I respectfully urge this committee to reject the President's travel taxes, and to face squarely the more basic issues in the balance of payments difficulty, those that derive from inflation in his country, and an unduly unrestrained level of government expenditures.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., March 8, 1968.

Re Proposed Tax on Foreign Travel.

Hon. WILBUR D. MILLS,
Chairman, Committee on Ways and Means, H 208 Capitol, Washington, D.C.

DEAR MR. CHAIRMAN: I would like to offer a few brief comments on the proposed tax on foreign travel. It is my understanding that hearings were concluded last Friday but the transcript will remain open until March 8.

Since a number of witnesses wished to appear, rather than take up the Committee's time, I thought a short letter would suffice. It would be appreciated if this letter could be made a part of the record of the hearing before your Committee.

Although I know considerable testimony has been received on this point, I would also like to make it clear that I am opposed to taxing the activities of the American Field Service (AFS). Because of the proposed educational exemption for European stays of over 120 days, the impact would only affect the AFS's summer program. In 1966, 867 (150 of whom were in Latin American countries) students went abroad. This tax if applied to AFS would have a substantial impact on international student exchange. Its implementation would reduce the number of participants, narrow the group to those who could meet the extra expense and place an added burden on AFS funds.

In a time when understanding among the various peoples of the world is crucially important, hindering exchange-type programs which allow Americans to live, not as tourists, but as participating members of foreign communities, would appear inadvisable. This is particularly true when the number of American students allowed to participate is directly related to the number of foreign students who come to this country. In the 1966–67 school year, 3,107 foreign students came to the United States and 360 American students went abroad. If the reason for these taxes is to aid the balance of payments problem, it would appear imposition on this particular program would achieve the opposite result.

It would be my hope that your Committee would lay aside the entire travel tax and instead recommend a substantial reduction in U.S. Government spending abroad. However, if a travel tax is reported from Committee, then I would hope that provision would be made to exempt the AFS and other worthwhile exchange programs from payment of the tax.

With best personal regards.

Sincerely,

ROBERT V. DENNEY, *Member of Congress.*

STATEMENT OF MARVIN L. ESCH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

My first reservation to the travel tax program stems from its limitation on the traditional freedom of movement that I hold to be basic to the values of any free people. The understanding, tolerance, and vast scope of educational experience

gained through international travel are self-evident and priceless benefits to our aspirations of individual self-development, mutual understanding, and international cooperation.

I feel that this aspect of the proposed travel restrictions deserves intensive consideration—perhaps more consideration than any other single practical or economic argument for or against the program. Although such a tax might well prove to be technically constitutional, the people of this nation and their representatives in Congress will not accept a severely restrictive tax on foreign travel as a legitimate means of righting an economic wrong if, at the same time, it brings forth a complex array of objections and reactions that stem from sources much deeper than economics—sources within our traditional framework of freedom of movement and the spirit of international brotherhood.

Where can the line be drawn on who can justifiably be taxed? Are we to exempt a student who is studying in Europe for six months, but discriminate against the many students who will perhaps only have the opportunity to spend a summer abroad for study and travel? The additional taxation will impose few limitations on those who travel frequently and on unlimited funds. But what will happen to the retired couple, or the average working couple who have saved for many years to raise and educate their children and finally have "just enough" savings to enjoy an economical and well-deserved few weeks in the country of their choosing? What will happen to the plans of those who have planned their once-in-a-lifetime trip "back home" to their native lands?

There have been numerous proposals from the travel industry, from members of Congress and from the industry-government Task Force on Travel to increase foreign travel in the United States. This is a constructive proposal and suffers from few of the disadvantages of the Administration's tax program. There is also more that can be done to limit non-essential military expenditures outside the Western Hemisphere. The travel tax, then, is not the only method available to improve this aspect of our balance-of-payments deficit. It is certainly not a desirable method. It is to me, and to many of those I represent in Congress, not an acceptable method.

Since the proposals for a travel tax program were outlined to this Committee by the Administration. I have received hundreds of thoughtful letters from my constituents. Their comments serve as excellent documentation of the spirit of the American people. I would like to take this opportunity to bring some of their statements to the attention of this Committee, because you are involved in consideration of a plan which is not simply a balance-of-payments measure; but a plan with far-reaching ramifications for our future relationship within the international community and for our own national democratic traditions. It is not possible to develop a good taxing program when any such program is based on a highly questionable concept. The question raised in the following letters offer a serious challenge to that concept.

The Impressions of a Student

Summary of Points

American national interests can be more adequately protected by means which, when compared with the proposed travel tax, are more suitably respectful to the constitutional liberties of United States citizens.

1. The right to travel abroad is an important aspect of the citizen's liberty guaranteed in the Due Process Clause of the Fifth Amendment.
2. Any travel tax, such as presented by the administration, severely handicaps and runs counter to intrinsic objectives of higher education.
3. The political impact of a travel tax would be to encourage the retardation of American thinking, back into unrealistic isolationism.

1. *The right to travel abroad is an important aspect of the citizen's "liberty" guaranteed in the Due Process Clause of the Fifth Amendment.*

All United States citizens have the right to move from state to state as a fundamental privilege under the Constitution, according to *Crandall* v. *Nevada*, 6 Wallace 35, 18 L. Ed. 745 (1868). This case stated the doctrine which shortly thereafter became the Fourteenth Amendment. The factual situation has interesting analogies to restriction of international travel. The court held that a state cannot levy a tax upon persons residing in the state who may wish to get out of it, and upon persons not residing in it who may have occasion to pass through it.

In *Kent* v. *Dulles*, 357 U.S. 116, 78 S. Ct. 1113, 2 L. Ed. 2d 1204 (1958), the right to travel abroad was recognized as a fundamental right of all citizens under the Fifth Amendment. The language of the case is particularly clear:

"Freedom of movement across frontiers in either direction, and inside frontiers as well, was a part of our heritage. Travel abroad, like travel within the country . . . may be as close to the heart of the individual as the choice of what he eats, or wears, or reads. Freedom of movement is basic in our scheme of values." (at pp 125, 1118, 1210)

The court regarded the Constitutional right to travel as being well established and closely related to rights of free speech and association.

Recognizing the importance of each citizen's right to travel, President Eisenhower sent a message to Congress in 1958 which said:

"Any limitations on the right to travel can only be tolerated in terms of overriding requirements of our national security, and must be subject to substantive and procedural guaranties." (Message from the President—Issuance of Passports, H. Doc. No. 417, 85th Cong. 2nd Sess.; 104 Cong. Rec. 13046).

Here it can be seen that the right to travel is not absolute, but there is the suggestion that the degree of restraint on travel must be weighed against the dangers to national security. Congress, then, cannot exercise its legislative powers under reasons of "national security" without due regard to the right to travel which may be affected.

The sweep of Congressional power over matters of "national security" was dealt with in *Aptheker* v. *Secretary of State*, 378 U.S. 500, 84 S. Ct. 1659, 12 L. Ed. 2nd 992 (1964). This case held Section 6 of the Subversive Activities Control Act of 1950 unconstitutional for sweeping too broadly across the Fifth Amendment protections in its attempt to restrict passport privileges of members of Communist organizatios. The right to travel is central to the discussion, and one is left with the question of whether there should be any restriction of that right when matters of "national security" are absent or only distantly related. The concurring opinion of Justice Douglas is notable on the latter point:

"Freedom of movement is kin to the right of assembly and to the right of association. Absent war, I see no way to keep a citizen from traveling within or without the country . . . unless he has been convicted of a crime or unless there is probable cause for issuing a warrant of arrest." (at 378 U.S. p. 520, S. Ct. p. 1671)

The proposed travel tax clearly restricts every citizens' Constitutional right of movement. Granted, the basic *purpose* of the plan is not to prevent travel to Europe, but to reduce as much as possible the amount they spend when they get there. But, is not the *effect* of a travel tax on many people the same as a prohibition?

2. *A travel tax, such as presented by the administration, severely handicaps and runs counter to intrinsic objectives of higher education.*

In a country that places such emphasis upon the educational process, European travel contributes invaluable understanding in respect to our cultural heritage. The President's proposed travel tax will cause immediate reductions in student travel abroad. University of Michigan President, Robben Fleming, has sent a telegram to the President, urging student exemptions from the travel tax. Otherwise, he fears, education abroad will seriously suffer. Most educators agree.

The President repeatedly vows his support of open and better higher education for everyone. Just recently, he has proposed an increase in the financial aid available to students. Travel and education go hand in hand. Education in the Great Society can be complete only if it includes the enlightenment which results from association with peoples of all countries. Any educational policy which includes a travel tax, disallowing exemptions for students, is patently inconsistent with itself.

3. *The political impact of a travel tax would be to encourage the retardation of American thinking, back into unrealistic isolationism.*

A healthy world economy is in the United States' best interests. Such an objective is critically hampered by a travel tax policy which restricts the exchange of people and ideas. Serious consideration should be given the National Association of Travel Organizations' suggestion to "compete, not retreat" on the market for foreign visitors. In line with that alternative is the proposal by Senator Jacob K. Javits to adopt national travel policies which improve domestic travel for foreign visitors. A travel tax is not the only answer to the "balance of tourism payments."

History has shown the pitfalls of American attitudes which assume that isolation from the world community is possible. Now, more than ever, Congress should search for indirect means to achieve the same ends. And not the least of these avenues might lead through the tightening of military spending, since the greatest single budgetary expenditure is for "defense." To oversimplify a bit, who want to see the day when an American can afford a visit to foreign countries only by enlistment in the U.S. Navy?

JOSEPH G. MASON,
University of Michigan Law School,
Ann Arbor, Michigan.

THE LISLE FELLOWSHIP, INC.,
Ann Arbor, Mich., February 1, 1968.

DEAR REPRESENTATIVE ESCH: I am writing this letter to express the deep concern of the Lisle Fellowship, Inc., about the proposed heavy tax on foreign travel which does not include adequate exemption for students or faculty traveling abroad for educational purposes. In his State of the Union Address, President Johnson did express in general terms that students, faculty and researchers might not be included in the tax proposal for travel abroad during the coming year. I would recommend that this general statement be specified and that the exemption from any proposed tax be seriously considered for students, faculty and researchers.

My experience as the International Director of the Lisle Fellowship, Inc.'s International Educational Programs for over thirty-two years has led me to know that students should be free to travel abroad as a part of their educational experience. Even though their funds are limited, it is during the years of their college and/or graduate work that young adults have one summer or year free to travel abroad. I would note that the expenses for the travel of most students are paid in the United States and while abroad the students actually spend meager amounts of money, especially when compared to the commercial tourist who is traveling with ample funds for high class living when abroad and who intends to bring large amounts of purchases home from abroad.

If it were necessary to make a distinction on the types of travel which would be exempt from a special tax, I believe such a distinction should be made for those students who are to participate in and travel abroad, whether for a summer or a year round experience, with recognized educational programs. Those students could be exempt from any proposed tax on international travel through a letter of confirmation of their participation from the educational institutions and agencies with which they are associated.

I would put a very important emphasis on the fact that to put barriers in the way of young people participating in educational experiences in which they can come to know other peoples and other parts of the world, would be most unfortunate in a time when the United States has a very large part to play in developing cooperation among nations, in building for a more equalized standard of living among all peoples and especially in planning constructively for peace. Students who have the vision and foresight to broaden themselves in the understanding of other cultures and peoples will bring the leadership the United States needs in its government services, in business and in education. We should not cut off the very best possibilities for developing adequate, broad-minded, understanding future leaders through a prohibitive tax on educational travel . . .

Sincerely yours,

DE WITT C. BALDWIN,
International Director.

FEBRUARY 4, 1968.

DEAR CONGRESSMAN ESCH: I view with great alarm the proposal of the President that Americans be taxed for travel outside the Western Hemisphere.

Many of us have planned such travel because of family connections. My wife and I wish to visit her family in Germany this spring and the prospect of government actions counter to our trip is distressing to us.

This proposal on the President's part is not a new one. Three years ago he suggested a head tax for approximately $100.00 per foreign traveling American. The unpopularity of the idea forced him to drop it immediately. And now he is at it again.

Possibly you might agree with us when we suggest that our international economic situation should best be viewed with a strong suspicion that the primary drain of U.S. gold reserves abroad is not via private citizens but due, mainly, to the various and sundry foreign expenditures of our government.

These are not days for Americans to be restrained by what could be construed by our international friends as being an isolationist policy. Many informal beneficial diplomatic relationships result by our travels abroad.

Please relay my point of view in this matter if and when it is discussed in Congress. And, naturally, I hope that you will agree with me.

Thank you.

Sincerely yours,

ALAN K. STONEX,
Councilman, City of Brighton, Mich.

ANN ARBOR, MICH., *February 13, 1968.*

Hon. MARVIN L. ESCH,
U.S. House of Representatives,
Washington, D.C.

SIR: The proposed travel-restriction taxes must not be passed. I am vehement on this issue, not because I wish to go abroad, but because I have already been.

In 1955, my father, a professor at Michigan State University, took my mother, my three sisters and me to Florence, Italy. This was his long-awaited sabbatical, and we six lived on less than $3000 that year. We went into debt, of course, but we have never doubted that it was the most enriching—the most profitable—experience of our lives.

I was ten, with the ten-year-old's provincial view of the world. What an extraordinary eye-opening experience it was for me! My parents enrolled us in an Italian school, and suddenly we became aware of a totally new system of education. We learned—fluently—a completely new language, encountered new ways of thinking, new customs, a new religion. For the first time, we saw real poverty: crippled children roaming the streets in search of food, pathetic families living in the still-unreconstructed shells of bombed-out buildings, deformed and half-clothed beggars huddled in corners.

We saw the splendors of Florence too—not many ten-year-olds have the chance to visit Dante's tomb, or see the David, or walk along the Ponte Vecchio. And best of all, we met the Italians; we ate their cuisine, we became their friends. We were, without intending it, our own private Peace Corps: not rich Americans spending a luxurious holiday, but middle class Americans learning about other people. We loved the Italians, and I think they loved us.

I cringe at the thought that today we should be asked to curtail such activity as "our patriotic duty." My father was not teaching that year and thus, like most private citizens, would not have been exempt from restrictive taxes. Whose loss would it have been if we had stayed at home? It would, ultimately, have been our country's. The good will we helped to build might have been infinitesimal, but collectively such tiny contributions may help establish world peace. I am now a teacher and I try to teach and live concern and compassion for other human beings to the 92 teenagers I see every day, and the 1100 or so with whom I come in contact. Suddenly the benefits of my experience are multiplied a hundred- and a thousand-fold.

We cannot erect an economic Berlin wall around ourselves. We must let ordinary, well-meaning middle class citizens build the bridges of understanding and peace that governments and treaties and ambassadors sometimes cannot.

Sincerely yours,

MRS. DONALD S. OWENS.

THE UNIVERSITY OF MICHIGAN,
Ann Arbor, February, 11, 1968.

Representative MARVIN ESCH,
House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN ESCH: . . . There is one feature about the proposed travel tax which I find extremely *unfair*: that is the proposal that teachers and students must be out of the country for more than 120 days in order to get the educational exemption. Many professors and graduate students doing serious research cannot afford to take a 120 day trip either because of expense or because of academic calendars. Many of them are, however, able to make serious research

trips of 60–100 days length during which they do much valuable work. The 120 day requirement will be grossly unfair to serious researchers and will in many cases persuade professors and students to stay overseas *longer* than they had intended in order to take advantage of the 120 day rule.

I hope that you will continue your opposition to this ill-thought out measure.

Yours very truly,

JACOB M. PRICE,
Professor of History,
University of Michigan.

ANN ARBOR, MICH., *February 8, 1968.*

DEAR REPRESENTATIVE ESCH: Although I can readily see the necessity of cutting down on the outflow of dollars in order to balance our internal monetary status, I want to voice my opposition to one of the methods that President Johnson has been airing recently. To restrict travel or tax it along the lines he has suggested has the following drawbacks:

1. To administrate the sliding tax scale would be very difficult, would require many more personnel at the customs points (thus increasing the amount of money needed for customs officials' salaries), would conceivably cause tremendous traffic jams at the major customs points.

2. It will undoubtedly alienate many of our present allies who rely heavily upon the American tourist dollar as an integral part of their economy.

3. It will impose a restriction of freedom unlike any previously imposed upon the American people other than in times of war.

4. It will in fact be a statement to the world that we are pulling back into an isolationist position at the very time when no country can afford to do so. I happen to feel that the more people of all ages who travel abroad, the more chance we have of coming up with some sound international policies (at least in cases where the public has a voice).

If we wish to cut down on dollars spent abroad and further good will among our allies, it seems obvious that our best move is to pull as many of our troops as possible out of the places where they are no longer needed and/or wanted—i.e. Germany and other European countries.

Sincerely,

MRS. JOAN B. SMITH.

STATEMENT OF HON. ROBERT O. TIERNAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF RHODE ISLAND

Mr. Chairman, I wish to go on record before this committee in opposition to the Administration's proposals to levy a head tax on United States Citizens who travel outside the Western Hemisphere, to reduce duty free allowances on goods and gifts purchased abroad from $100 to $10, and to reduce the current duty free mailed gift from $10 to $1.

The Administration explanations for these proposals have not been candid or logical. What is glossed over by the Administration is the administrative cost to the Federal government if these proposals are enacted. We hear very little of the additional Customs Service man hours that would be necessary to inspect returning travelers. We hear very little about the cost of additional postal man hours. In order to make this tax bring in the estimated revenue, it would be necessary to scrutinize more carefully incoming packages and purchases of returning tourists. Obviously, this requires additional governmental outlays.

All of us in Congress recognize and are concerned with the present monetary crisis which includes our balance of payments deficit. Many members recognize and realize however, that the so called travel deficit can be reversed with positive measures such as those outlined by the Special Task Force on Travel and by our colleague the distinguished member from Wisconsin, Mr. Reuss, when he introduced his Travel Incentive Act two months ago.

The last few weeks I have been in contact with a number of my constituents who have recently returned from Europe. I have been told that our friends in Europe are very much concerned with this attempt to restrict American travel to their countries. They are generally upset and genuinely disturbed by the prospect of such negative action. It is the opinion of my constituents that much harm has already been done to our friendships in Europe and they will be aggravated to a greater extent if our government pursues its intentions in this area.

Mr. Chairman, freedom of movement and the right to travel is in my opinion just as essential in our society as are the rights of association and of peaceful assembly. I cannot in good conscience vote to restrict this right. Without objection, I include as part of my remarks copies of correspondence relative to the travel tax proposal.

D'ERRICO TRAVEL AGENCY,
Providence, R.I., March 4, 1968.

Hon. ROBERT O. TIERNAN,
Longworth House Office Building,
Washington, D.C.

DEAR SIR: We wish to assure you that we are in complete accord with your opposition to any travel restriction or travel tax.

The damage this proposal for restrictions and tax can cause are well known to you, and your opposition is greatly appreciated.

Thank you for your support.

Very truly yours,

JOSEPH J. D'ERRICO.

MARTINEZ-MARTELLA TRAVEL BUREAU, INC.,
Providence, R.I., March 5, 1968.

Congressman ROBERT O. TIERNAN,
Longworth House Office Building,
Washington, D.C.

DEAR CONGRESSMAN TIERNAN: We are very pleased to learn from your letter of February 29, 1968, that you are opposed to the President's proposed travel restrictions. We have noted the increasing Congressional opposition to these proposals through the trade publications. We feel that these proposals would not pass the Congress.

Still, there is concern in this agency because we are now experiencing a very idle period. We blame this idle time to the initial shock of the proposal. People call on us every day to find out about the taxes and restrictions, and when they will become effective, but they do not make reservations.

This agency has been and still is an ethnic agency. It deals mostly with Italo-Americans. Our income is completely dependent upon their travel to Italy where they visit families they have left to come to this country. We do have many clients who travel to other places in Europe, but Italy is always included so that they may see distant relatives and the birthplaces of their parents.

Our clients are not intrested in travelling to Hawaii or around America, or to the other countries within this hemisphere. If they have the money, they want to go to Italy. Some of our clients still intend on going to Italy, but for most of them, the burden of a tax is too great. These people are factory workers and in the low to middle income bracket. They have saved, in many instances, for years to take this trip. If these people cannot travel to Italy, because of the restrictions, this agency will be out of business by the end of this year.

This year our agency, in an attempt to expand from an ethnic agency reputation, set up two tours and took on a charter group to Ireland. We are now in the process of cancelling one group and revamping the second tour, due to a rise in cancellations of the participants and the lack of time to fill the vacancies. The charter to Ireland is filling, but hotel and car-rental bookings which are normally large are very small.

With the loss of the expected tour commissions and the expense and effort to initiate them, and the incalculable losses due to the lack of bookings for the coming summer season, we will have a very lean year. Should the proposals become law, we will have to close our doors.

This applies not only to us, but to all the other agents who are basically ethnic. It must be remembered that agents represent others. If agents start to close down because of lack of business, it is a reflection of something larger. We think that the proposals of the President would have an adverse and far-reaching effect on the whole travel industry.

We wish you the best of luck on our behalf and wish to thank you for advising us of your position. Thank you, also, for giving us the opportunity to explain our situation in relation to the proposals. We are

Sincerely yours,

PAUL V. FOLEY, *Treasurer and Manager.*

FIELDS AND CUSICK TRAVEL SERVICE, INC.,
Warwick, R.I., March 5, 1968.

Congressman ROBERT O. TIERNAN,
Longworth House Office Building,
Washington, D.C.

DEAR CONGRESSMAN TIERNAN: Thank you for your letter of February 29 requesting my opinion on the President's recent proposal on travel of United States citizens abroad.

It is hard enough for increasing numbers of Americans to accumulate the extra money to finance an excursion to a foreign country without having to pay the government for the right to take the trip. One of the serious criticisms of the tax proposal, we feel, is the infringement on their rights as Americans to travel as they please.

I would like to see the administration put more emphasis on programs to attract foreign visitors to the United States. Travel is our greatest educator and the link which allows an understanding between the peoples of the world.

I am glad to hear of your opposition to the tax and wish you success in the House Committee on Ways and Means.

Sincerely yours,

MARY B. RUPKEY, *Treasurer.*

PLANTATIONS TRAVEL SERVICE,
Providence, R.I., March 9, 1968.

Hon. ROBERT O. TIERNAN,
Longworth House Office Building,
Washington, D.C.

DEAR CONGRESSMAN TIERNAN: I wish to acknowledge with thanks your letter dated February 29 regarding the President's recent proposal to levy a tax and also to impose certain restrictions on the travel of United States' citizens to countries located outside the Western Hemisphere.

I was pleased to note from your letter that you have opposed the proposed tax and I agree with you wholeheartedly that there are other and more constructive means by which our balance of payments can be reduced.

It appears to me that in addition to rupturing the friendly relationship we now enjoy with many nations, we could conceivably lose a great amount of export business if such taxes and limitations are imposed.

I am attaching a copy of a statement made by Mr. John M. Frazer, Jr., Senior Vice-President of the Swedish American Steamship Lines and a copy of an editorial written by Mr. Irwin Robinson, Publisher of our travel paper entitled, "Travel Weekly". I believe these gentlemen have expressed the feelings of everyone associated with the travel industry.

I would like to take this opportunity to tell you that as one of your constitutents I am a resident of the Buttonwoods section of Warwick.

Sincerely,

WILLIAM L. PEARSON.

[From Travel Weekly, Feb. 13, 1968]

THE PLOT TO KILL TRAVEL

(By Irwin Robinson)

The "solution" which the U.S. Treasury Department has recommended to ease the imbalance of travel payments suggests psychiatric rather than economic analysis. It is grotesque in concept, an administrative monstrosity and clearly the path to chaos for the general public and disaster for the travel industry.

The proposal looks more like psychedelic art than a blueprint for monetary improvement. It could have been conceived only by people far removed from everyday reality. Thus, it confirms persistent reports of the presence, in the inner sanctum of the Treasury Department, of a group of influential "think" men who suffer from acute travelphobia, who are either unaware or disdainful of America's global commitments and whose idea of ultimate triumph is to erect an iron super-curtain that would insulate our peripatetic population from any contact with "furriners".

In attempting to whip American travelers into line and the travel business out of existence, the Treasury has assumed a posture that is strangely out of

whack with the professed beliefs of the White House, the State and Commerce Departments and lawmakers.

By ignoring the considered views of travel experts and seasoned economists—who believe overwhelmingly that the proposed cure will either kill the patient or create problems greater than those which now exist—the Administration has undermined its own recently-appointed task force and taken the steam out of travel industry efforts to develop positive alternatives to the Treasury crackdown.

The Treasury would create a police-state atmosphere by requiring the traveler to disclose the contents of his pockets and wallet—with frisking authorized as an added touch of coziness. Under the threat of sizeable penalties, he would face the frightening task of applying an intricate formula to estimate what his tax might be. A fat fine hangs over him if he miscalculates. How many additional customs agents or secret service men it will take to make sure that the citizenry is cowed into compliance, and what will happen to scheduled departures when thousands of passengers mill around in an arithmetic fog, are subjects not covered in the Treasury panacea.

Secretary Fowler assured his Congressional listeners that "the mechanics of the expenditure tax would be relatively simple." The "technical explanation" that followed would make an IATA resolution look like a model of Mother Goose simplicity!

* * *

It is now incumbent on the travel industry to assign top priority to mobilizing every argument and every ounce of support it can muster to defeat the Treasury proposal. Regrettably, this means that for the time being at least, less emphasis on *positive* measures that would help narrow the "travel gap," notably an intensified campaign to stimulate more traffic from abroad.

"OVERSIMIPLIFIED DIAGNOSIS"

In the opinion of many who can detect only fallacy in the proposed restrictions, the weakness of the Administration case stems chiefly from the two questionable assumptions that Washington has tried to foist on the public as fact. One is the oversimplified diagnosis of the so-called "travel gap," and the other is the apparent belief—or, at least the pretense—in Washington that the U.S. can successfully attract a substantial volume of westbound travel while severely curtailing the traffic going out of this country.

There is ample reason for examining more minutely the burden which the Administration has assigned to travel as the major culprit of the dollar imbalance.

The fact, which has been cited repeatedly but which the Administration prefers to ignore, is that the travel portion of the dollar gap cannot properly be isolated and treated as though it existed in a vacuum. It is part of a considerably broader problem—a crisis that certainly stems largely from our commitments in Vietnam and our millitary and aid expenditures elsewhere. And, by the same logic, the overall dollar imbalance cannot be segregated from the total foreign trade picture.

The man in the street has heard so much about our dollar "deficits" that he must believe the U.S. has an *unfavorable* balance of trade. Nothing could be further from the truth. The latest figures, for 1966, show that the U.S. exported $30 billion worth of goods and services and imported $25.5 billion. *This resulted in a balance of* $4.5 *billion in favor of the U.S.*

BALANCE ALREADY FAVORABLE

It should be noted that a good part of that favorable balance came from the very Western European countries that would now be seriously hit by restrictions on American travel. For example, our exports to Western Europe exceeded our imports by nearly $2.25 billion. We sold 50% more to France than we bought from the country; our exports to Holland were four times as great as our imports; U.S. exports to Greece, exceeded imports by three and a half times; and the margin in our favor with Spain was over three times.

These are important tourist destinations for Americans—and the dollars they pour into those countries make it possible for U.S. manufacturers to sell their goods abroad. Choking off the flow of dollars stifles production and checks prosperity in cities and towns throughout America.

When travel agents write their Congressmen in opposition to the travel straitjacket the Treasury proposes, they should bring home the importance of U.S. exports and travel dollars *in terms each community understands.*

For example, tourist dollars create jobs in New Brunswick and Rahway, N.J.—communities whose prosperity depends on several large chemical and medicinal industries. The travel agents of that area—and the residents, too—should know that in 1966 the U.S. exported nearly $2 billion *more* worth of medical products than it imported. Thousands of jobs in Rahway, New Brunswick and other communities have been sustained by the flow of U.S. tourist dollars abroad—dollars which make it possible for many foreign countries to buy our chemical and medicinal products.

The same story can be told about Moline, Ill., known for its production of farm implements and other machinery. In 1966 the U.S. exported $11 billion worth of machinery and transportation equipment, compared with imports of $5 billion, a favorable balance of trade exceeding $6 billion in this one category alone. Tourist dollars helped make it possible for foreign countries to spend these huge amounts, and thousands of wage-earners in U.S. cities and towns derived the benefit.

The State of Washington is another area that is sensitive to the interflow of tourist dollars. Foreign airlines have purchased over $4 billion worth of American equipment and thousands of well-paying Washington jobs can be traced directly to it.

The finger of guilt does not rest steadily when it is pointed at U.S. travel habits.

* * * * * * *

The question of how aggressively the American travel industry can push "Visit USA" cannot be answered until Congress gives some inkling of its stand on the Treasury proposals. If the hard line sticks, the travel business faces a period of serious dislocation, with a very real likelihood of reciprocal action on the part of other governments. It is difficult to believe that the Congress of the United States would knowingly support a disaster plan of such dimensions.

SWEDISH AMERICAN LINE,
New York, N.Y., January 1968.

DEAR TRAVEL AGENT: You have undoubtedly seen in the press and in the State of the Union message that President Johnson is considering asking Congress to restrict travel abroad in order to help reduce the balance of payment deficit.

Swedish American Line ships are registered in Sweden, and the balance of payment with Sweden has always been very favorable to the United States. In the past decade there have always been more commodities exported from the United States to Sweden than from Sweden to the United States, thereby always reflecting a deficit for Sweden. The latest report for 1967 indicates that *Sweden spent $135,000,000 more in the United States* than the United States spent in Sweden.

During 1967, Swedish American Line spent 49.44% of its U.S. revenues in the United States for supplies and operational expenses. These costs incorporate a variety of expenses such as provisions, advertising and publicity, port charges including stevedoring, commission to U.S. travel agents, as well as salaries, insurance and pension plans for our U.S. employees. The percentage goes up to 58.74% when we take into consideration financial commitments, insurance premiums for our fleet and the portion of our crews' salaries which is paid here in U.S. dollars.

During the past year, there has been increasing talk about the U.S. Treasury's "gold outflow" problem. This is, as you know, the result of a continuing deficit in the balance of payments between the U.S. and other countries. For some years the United States have been investing, lending, and spending more dollars abroad than it receives in return from other countries. The Government claims that $1.9 billion of this deficit is accounted for by the imbalance of tourist expenditures outside the United States. What this figure fails to state, however, according to a study by the American Express Company, is that about 33% of the monies spent outside this country by tourists went to North American countries, primarily Canada and Mexico, and of the money spent elsewhere in the world, 30% went for "non-pleasure" travel. In many instances, the American tourist dollars spent abroad actually help improve the U.S. payments problem, for indirectly these dollars help finance foreign purchases of United States goods and services.

In Sweden, the Swedish American Line has a Visit America program, whereby we urge people to visit their friends and relatives in the United States in line with the United States Travel Service suggestion. This program was inaugurated about five years ago, and has proven very successful in bringing Swedish tourists to this country.

Not only does the Swedish American Line bring dollars into the United States, as outlined, but it also plays its part in providing a high standard of vacation cruises for American tourists to island nations and territories in the Caribbean. As four major islands in the Caribbean are part of the United States and tourism is the major industry of the islands—accounting for 80% and more of their national revenue—we are assisting the great tourist demand for sea transportation to the Caribbean islands. The United States would eventually suffer substantial losses if ship carriers were to be curtailed in their operations.

We thought you would like to have this information. It means your clients do not have to feel embarrassed or unpatriotic when they cruise with the Swedish American Line. On the contrary, they are participating in a two-way trade that is advantageous to the United States and its international payments.

We think it is important for you to understand this, because of the attempts being made to limit American travel, which we feel would not be good business in the long run for the United States. If Swedish companies are not permitted to earn American dollars, then it could well be that Sweden would be required to curtail purchases of American goods in order to improve her adverse trade balance with the United States which would further aggravate the U.S. deficit of payments.

The facts, as outlined herein, pertain to Swedish American Line and Sweden and, if you agree with us, you may wish to communicate your feelings to your clients and send a letter to your legislative representatives.

Sincerely yours,

JOHN M. FRASER, Jr.
Senior Vice President.

AUTOMOBILE CLUB OF RHODE ISLAND,
Cranston, R.I., March 6, 1968.

Hon. ROBERT O. TIERNAN,
Longworth House Office Building,
Washington, D.C.

DEAR CONGRESSMAN TIERNAN: I welcome the opportunity to record with you the concern expressed by many of our 63,000 members about the proposed restrictions on the travel of United States citizens abroad.

It seems to us that the Treasury Department's proposal has serious weaknesses:

1. It discriminates against those who have most to gain from travel—students, teachers and other low-income individuals.
2. It would be unwieldy, if not impossible to administer, and undoubtedly costly. The many opportunities for evasion are already obvious.
3. While no one can calculate the revenue which this proposal might bring the government, it seems obvious that these dollars will make no real contribution to the root problems.
4. It is already apparent that enactment of these restrictions will lead to retaliatory measures by various of our good customers abroad.

I believe that the constructive approach to this problem is far better than any restrictions on travel. I believe that the United States Government should do everything in its power to bring more travelers into the United States from other countries as a positive way of offsetting part of the dollar gap.

Our Club and the American Automobile Association have always supported the principle of freedom to travel as a basic right of all free people. It is on this thesis that our opposition to the restrictions is based.

Cordially,

E. S. HARDING, *Executive Vice President.*

PARAGON TOURS,
Providence, R.I., March 12, 1968.

Mr. ROBERT O. TIERNAN,
Member of Congress,
Washington, D.C.

DEAR BOB: Thank you for your letter relative to President Johnson's proposal on travel restrictions outside of the United States.

Paragon has made our views heard with our local Congressman and Senators. I guess my not contacting you was a small goof; your letter addressed to me was not read but rather was left on my desk since I was in Ireland at the time.

Bob, I very much appreciate your very personal interest in our industry problem and I can assure you that your views are the correct ones. My recent 7-day visit to Ireland and the personal conversations that I had with many members of the Tourist, Hotel, and Sightseeing industry convinced me 100% that we have made the wrong type of impression as a result of President Johnson's speech.

Had a re-union dinner with Bill Keenan, Dick Tiernan, and Bob Aldrich at the Red Coach recently and would love to have you join us on a future get-together. (Usually a Saturday night)

Best personal regards,

JIM PENLER.

TRADEWINDS TRAVEL,
Providence, R.I., March 4, 1968.

HON. ROBERT O. TIERNAN,
Longworth House Office Building,
Washington, D.C.

DEAR BOB: It is my understanding that the House Committee on Ways and Means is holding hearings on the President's recent proposals imposing certain travel restrictions on United States citizens.

Naturally, being in the travel business and having only recently expended a considerable sum on new office facilities, I am unalterably opposed to any travel restrictions. However, in addition to my personal feelings, I am convinced that such a move would have far-reaching repercussions in many areas that, in the end, would defeat the intent of the legislation. Literally thousands of Americans in the travel field, including the many allied services, would find their livelihood in jeopardy, and I think careful screening of facts by the Committee would find that foreign travel is not the prime cause of the problem.

Travel is indeed a luxury, and in light of the heavy war expenditures, I do believe that a 5% tax, similar to the one on domestic travel, would be in order and would not cripple our industry; however, restriction of any kind, I believe, is uncalled for and not in keeping with our American way of life.

I would certainly appreciate your cooperation in informing the Committee and the Congress of my feelings.

Sincerely yours,

D. L. GOFF, *President.*

PRICE TRAVEL SERVICE, INC.,
Providence, R.I., March 1, 1968.

MR. ROBERT O. TIERNAN,
Longworth House Office Building,
Washington, D.C.

DEAR MR. TIERNAN: We were very happy to receive your letter expressing your opposition to the President's proposal of taxing foreign travel.

Naturally, we are opposed to this unjust bill. But more than that, we are opposed to any method of taxation that would impose a hardship on the middle class of citizens who are constantly being taxed to the utmost on all sides. A travel tax would discriminate against the working man who saves and saves for a trip, and then is told he must travel like a pauper on barely enough money to exist. And any tax that reads as complicated as the proposed travel tax seems a bit ridiculous.

If travel is permitted in this hemisphere, what would stop people from leaving the country from Canada? They certainly could bring all sorts of money there, with no restriction. In our experience with travelers, we have found that the word "restriction" seems to affect our fellow citizens in a strange manner, much as the bull is affected by the red cape.

We hope you will do your best to fight this tax proposal, and appreciate your efforts to see justice served.

Very truly yours,

SHERMAN S. PRICE.

COLLETTE TRAVEL SERVICE, INC.,
Pawtucket, R.I., March 4, 1968.

Mr. ROBERT O. TIERNAN,
Longworth House Office Building,
Washington, D.C.

DEAR MR. TIERNAN: With reference to your letter of February 29, 1968, our agency would definitely like to go on record as opposing the suggested tax on United States' citizens traveling abroad.

Very truly yours,

DANIEL J. SULLIVAN, *President.*

PAWTUCKET TRAVEL AND TOURIST AGENCY,
Pawtucket, R.I., March 5, 1968.

Representative ROBERT O. TIERNAN,
Longworth House Office Building,
Washington, D.C.

DEAR REPRESENTATIVE: In answer to your letter dated February 29th, requesting our view on the President's proposed international travel tax. We are answering this in the following paragraphs.

By far the number of people who enter this office in search of any foreign travel are as much against the restrictions as we are. Only one person has expressed his views in favor of the travel tax.

I am sure you have heard all of the cries opposed to the travel tax, but have you heard anyone ask why his or her *freedom* of free movement has to be restricted.

Regulation and restriction go hand in hand heading toward a non-free society.

From the travel agent's point of view, the damage has already taken hold. Booking are down and so is our Bank Account.

There will be more travel agencies up for sale this year than ever before.

Very truly yours,

JOHN C. SWIFT, *Manager.*

JOHN F. DAVENPORT AGENCY,
Pawtucket, R.I., March 4, 1968.

In re President's proposal for tax travel.
Hon. ROBERT O. TIERNAN,
Longworth House Office Building,
Washington, D.C.

DEAR CONGRESSMAN TIERNAN: I am very pleased to learn that you are opposing the suggested tax on foreign travel that has been proposed by President Johnson.

There are hearings being held I believe, by the House Committee on Ways and Means in Washington on the tax, and in the name of thousands of citizens in the Pawtucket area I would appreciate you making known that the common ordinary tax payer is very upset with the proposed tax because they feel that it is not going to reduce our balance of payments deficit as indicated by the President.

I personally am involved now with 90 people who are traveling on June 24 to Scotland to visit their families, some of whom they will probably never see again, and they have been saving to make this trip for 3 to 5 years. Many of the American people are retired people and this seems to be the majority of people who are taking tours to Europe at the present time.

There was a meeting of the above group yesterday and I read your letter to them and asked them to write you and advise you of their feelings.

Very truly yours,

JOHN F. DAVENPORT.

EAST SIDE TRAVEL AGENCY, INC.,
Pawtucket, R.I., March 4, 1968.

Hon. ROBERT O. TIERNAN,
Longworth House Office Building,
Washington, D.C.

DEAR MR. TIERNAN: We thank you for your letter of February 29th and hereby wish to inform you that we oppose the Travel Restrictions proposed. We find

the general public most definitely opposing these restrictions and feel that the repercussion caused by imposed restrictions will be such that will prove detrimental in many phases to the United States Government. We should try to promote travel within the United States by easing travel restrictions to foreigners by the United States Embassies in the respective countries and by inducing travel within the United States with attractive offers to visitors to our many natural and man-made wonders.

We thank you for your consideration on this matter.

Sincerely,

VALERIO MELLO.

[Editorial, second of a series, broadcast by WICE General Manager James K. Hacket on Thursday, Feb. 15, 1968]

WICE,
Providence, R.I., February 15, 1968.

WICE believes that President Johnson's travel-tax proposals must be defeated and we urge the State's congressional delegation to exercise all possible influence to insure the swift death of this plan. While WICE fully supports efforts to solve the balance-of-payments problem and the concept, "See America First," we offer the following reasons why our representatives in Washington should "kill this bad bill."

1. The plan infringes upon the basic rights of Americans to freedom of movement, and comes dangerously close to "caging" all Americans with economic restrictions.
2. It hits hardest the "little guy" while imposing no real hardship on the wealthy "jet set."
3. Many well-informed people believe the "gold drain" can be slowed or halted with action in several other areas where enormous amounts of federal money flow overseas—endlessly.
4. Foreign travelers planning vacations in the United States may very well institute a boycott of America.
5. The travel-tax may pose a serious threat to the economies of several nations.
6. It will create another mountain of federal "bureaucratic red tape" and the hiring of hundreds of new government employees.

Now who pays? Everyone! Everyone—except government officials—all the "posh junkets" at taxpayers' expense will continue untaxed—everyone except persons with permanent overseas residences—everyone except students and businessmen who spend more than 4 months overseas.

But what about you who may have close relatives in Italy, Portugal, Ireland and many other countries? What about the people who have "seen America first" and have been saving for that one, big vacation-of-a-lifetime? What about the "little guy?"

The travel-tax plan is unduly restrictive, discriminatory and practically unenforceable and we urge you to deluge our congressional delegation with a torrent of mail.

Write Senators John Pastore and Claiborne Pell, Senate Office Building, and Representatives Fernand St Germain and Robert Tiernan, House Office Building, Washington 25, D.C. Urge them to "kill this bad bill!"

[Editorial, third and last of a series, broadcast by WICE's General Manager James K. Hackett on Feb. 19, 1968]

WICE,
Providence, R.I., February 19, 1968.

This is the last in the series of WICE editorials concerning the President's travel-tax proposals. To further investigate these proposals, WICE spoke with Don Perry, a public relations assistant to Treasury Secretary Henry Fowler, and asked him to clarify the exemptions to the proposed travel-tax. He told us there is *no* exemption for persons with close relatives abroad who might have to make a trip back to the "old country." This is contrary to President Johnson's state-of-the-union message. Thousands of Rhode Island and Southern New England residents have relatives outside the western hemisphere—mothers, fathers, sisters, brothers, but even in case of emergency, a trip back to the "old country" would not be exempt from the President's travel-tax. However, all government officials are exempted. We asked Mr. Perry if that included congressmen and their staffs and he replied. "Yes, if they are on official business." (Congressmen, by the

way, are allowed fifty-dollars a day traveling expenses, tax free, of our money. The President proposes to tax you heavily if you spend more than seven dollars a day overseas.)

Mr. Perry made one other enlightening statement: "This tax is aimed at the *medium income person.*" Obviously, it's not going to impose any particular or unusual hardship on the wealthy.

Summing up, the American tourist is not responsible for the balance-of-payments problems. Major blame lies in many other areas and on the federal government's doorstep. However, the American government proposes to penalize the average American because of it. The entire plan is regressive; it is unduly restrictive, discriminatory, or as one senator put it "class legislation." Wilbur Mills, Chairman of the House Ways and Means Committee, has stated publicly that the Committee will have a tourist-tax bill ready for passage before Easter.

WICE urges you again to write your representative and senators. Congressmen do pay attention to mail from you their constituents. Help preserve a basic freedom—the freedom of movement. Write and help "kill this bad bill."

CONGRESS OF THE UNITED STATES
OFFICE OF THE MINORITY LEADER
HOUSE OF REPRESENTATIVES
Washington, D.C., February 26, 1968.

HON. WILBUR MILLS,
Chairman, Committee on Ways and Means,
House of Representatives,
Washington, D.C.

DEAR MR. CHAIRMAN: Enclosed is a copy of a letter from Mr. Ell D. Compton of Toledo, Ohio, which I respectfully request be made a part of the record of the Committee in its hearings on the President's proposed travel tax.

Mr. Compton points out an aspect of the President's proposals which merits the attention of the Committee, and it is for this reason that I am pleased to submit it to you.

Sincerely,

GERALD R. FORD,
Member of Congress.

ELL DEE COMPTON,
Toledo, Ohio, February 22, 1968.

HON. GERALD FORD,
House Office Building,
Washington, D.C.

DEAR REPRESENTATIVE FORD: May I call to your attention dangers inherent in proposals recently made to Congress by Secretary of the Treasury Henry Fowler concerning a 5% tax on overseas air and ship transportation, and a graduated tax of 15% to 30% on expenditures over seven dollars per diem in overseas travel. Passage of these proposals into law would result in a major reversal of our government's policy to encourage international student exchange programs.

Those of us who have long been associated with American Field Service (AFS) International Scholarships in our local communities are aware of the grave threat the proposals offer to this and other student exchange programs. AFS brings teen-age foreign students to live for one year with American families, and sends American high schoolers to live with foreign families for periods of from eight to fifty weeks. The taxes referred to above would seriously threaten the AFS program, especially those scholarships granted to American students sent abroad during the summer program.

AFS operates on a limited budget, and such increases in transportation and travel costs would severely curtail the number of scholarships available. AFS has emphasized choosing *qualified* American students to go abroad, regardless of their families' economic status. Many families could not meet such additional expenses.

We were host family for a Turkish AFS "daughter" in the 1966–67 school year, and our own daughter, Olivia, (now a freshman at the University of Michigan) spent a most wonderful and enlightening nine weeks as part of a

family in Quito, Ecuador. We had looked forward to increased opportunities for other youth, not to a curtailmen of this program.

We urge that AFS be exempted from such overseas travel and expenditure taxes.

Very truly yours,

ELL DEE COMPTON.

CONGRESS OF THE UNITED STATES,
OFFICE OF THE MINORITY LEADER,
HOUSE OF REPRESENTATIVES,
Washington, D.C., February 21, 1968.

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

DEAR MR. CHAIRMAN: Enclosed is a copy of a letter which I received from one of my constituents, Mr. Walter Derylo of Grand Rapids, Michigan, who is a student at the Pontifical North American College in Rome. May I respectfully request that his letter be made a part of the record of the Committee in its hearings on the President's proposed travel tax.

Mr. Derylo points out an aspect of the President's proposals which merits the attention of the Committee, and it is for this reason that I am pleased to submit it to you.

Sincerely,

GERALD R. FORD,
Member of Congress.

NORTH AMERICAN COLLEGE,
Rome, Vatican City State, February 16, 1968.

Hon. GERALD FORD,
U.S. House of Representatives,
Washington, D.C.

DEAR REPRESENTATIVE FORD: I am a citizen of Grand Rapids and am writing to you with regard to the proposed traveling tax, which has recently been submitted to Congress by the Honorable Henry Fowler, Secretary of the Treasury, on behalf of the administration of President Johnson. I would like to state my objections to the bill *in toto* and then present a particular problem which confronts myself, my family and my friends.

There is considerable doubt in my mind that the tax measure will achieve the desired results. If we spend less money in western Europe, it seems likely that these countries will spend proportionately less in the United States. Thus the balance of payments deficit will be affected very little, except perhaps in an adverse manner. Certainly, it will deal a death blow to the campaign to attract more European tourists to the United States. A studied effort to increase the foreign market for American products seems to me to be the more logical attempt. Indeed, one could speculate on the damage the proposed tax would do on transportation services presently purchasing American products.

Granted my doubts about the economic effectiveness of the measures, I am opposed to the added strain that these measures would cause within the Atlantic Community. The tax could well lead to a series of reciprocal measures which could reverse the present tendency toward economic cooperation and be the first in a series of selffish, self-defeating protective measures.

If it appears that it will be impossible to defeat the entire bill, then I would ask you to make representations for the following group by writing an amendment to the bill. I would be deeply gratified if you would present our case before the Congress on this matter. The representation is on behalf of FRAE, Friends of Roman American Ecclesiastics. It was founded eleven years ago with the purpose of bringing to Rome, at the most economical rates, the parents, relatives and close friends of students here at the Pontifical North American College who are ordained each December to the Catholic Priesthood while completing their four year course of theological studies. Similar to a funeral, wedding or graduation, an ordination is a family affair in which the entire family is ac-

customed to being present in order to share in the joy of the occasion. However, since the financial status of most students' families would prevent an ordinary tour of Europe, a special group, the above mentioned FRAE, was organized on their behalf to greatly reduce the cost of the trip, which would, in the vast majority of cases, be totally unthinkable without such an organization. In the past planes have been chartered, and various other benefits have accrued to the members of FRAE, thus making the trip possible.

However, I feel that the current proposals before Congress would place a totally unmerited burden on my parents, relatives and friends who have saved for a considerable period the funds necessary to make the trip this next December. I feel also that since the proposed taxes would expire in October of 1969, our guests would be victims of very unfortunate circumstances.

Therefore, I would ask specifically that members of FRAE, 1968, who will take one of the chartered planes from the United States next December, be held totally exempt from all provisions of the tax bill. Last year there were four such chartered flights which brought over 600 people to Rome for the ordination.

With these facts in mind, I trust that you will consider my request very seriously. I realize that it may seem like a selfish request. On the other hand, under the circumstances, it would be very unjust to my family and friends in light of the fact that it is difficult for them to make the trip under ordinary circumstances. I myself could never have studied here were it not for scholarship funds. I trust, therefore, that you will consider my case. I will be most anxious to hear from you in the future with regard to this matter.

Sincerely yours,

WALTER DERYLO.

CONGRESS OF THE UNITED STATES,
OFFICE OF THE MINORITY LEADER,
HOUSE OF REPRESENTATIVES,
Washington, D.C., February 20, 1968.

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

DEAR MR. CHAIRMAN: Enclosed is a copy of a letter which I received from one of my constituents, Mrs. Lucile E. Hager of Grand Rapids, Michigan, which I respectfully request be made a part of the record of the Committee in its hearings on the President's proposed travel tax.

Mrs. Hager points out an aspect of the President's proposals which merits the attention of the Committee, and it is for this reason that I am pleased to submit it to you.

Sincerely,

GERALD R. FORD,
Member of Congress.

GRAND RAPIDS, MICH.,
February 19, 1968.

Hon. GERALD FORD,
Washington, D.C.

DEAR MR. FORD: Regarding the proposed tourist tax I have a proposal to make which I hope might be taken under consideration. It seems to me the Senior Citizens, 65 and up, should be exempt from this tax. Some have been saving a life time for the pleasure of seeing the European continent during their leisure days, their funds are limited and each passing year lessens their opportunity to go. For them it's sort of a last chance thing, and, they have little enough to brighten their last years.

I hope you may ponder this suggestion and introduce such a proposal for consideration.

Very truly yours,

LUCILLE E. HAGER.

CONGRESS OF THE UNITED STATES,
OFFICE OF THE MINORITY LEADER,
HOUSE OF REPRESENTATIVES,
Washington, D.C., February 20, 1968.

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

DEAR MR. CHAIRMAN: Enclosed is a copy of a letter which I received from Theodore H. Hubbell, Professor of Zoology at the University of Michigan, which I respectfully request be made a part of the record of the Committee in its hearings on the President's proposed travel tax.

Professor Hubbell points out an aspect of the President's proposals which merits the attention of the Committee, and it is for this reason that I am pleased to submit it to you.

Sincerely,

GERALD R. FORD,
Member of Congress.

THE UNIVERSITY OF MICHIGAN,
MUSEUM OF ZOOLOGY,
Ann Arbor, Mich., February 15, 1968.

Hon. GERALD R. FORD,
House of Representatives,
Washington, D.C.

DEAR SIR: President Johnson's proposal for a tax on foreign travel will doubtless come before the House soon for consideration. I wish to register a strong protest against it as it affects the class of persons that includes my wife and me. We are among the group of retired educators, scientists and middle-income professional people who have saved for years to be able to afford an extended trip after retirement. We are at an age when postponement might well prove to be permanent. We must budget carefully to be able to travel at all, and the added tax may well make our earned and long-anticipated visit to foreign lands impossible. This of course, is the intent. We realize that the balance-of-payments deficit constitutes a serious problem, but the travel tax is not the way to solve it. In particular, cutting off the older group to which we belong would have little effect; we are not the heavy spenders. The tax will have little impact on the wealth, and will not seriously reduce their spending abroad. We are not unpatriotic, and if imposition of this tax were the only possible solution and would do the job we could accept its necessity and give up our plans. To us, however, it seems evident that there are other and more effective measures that can be taken, which would not infringe upon our right to use our modest savings as we have long planned to do, and which would not penalize elderly persons like ourselves who have no time to lose. Our particular case, described below, is merely a special instance of a situation that confronts thousands of others, for whose hopes and expectations the tax would be equally catastrophic.

I am a professor at the University of Michigan, until last year also Director of that institution's Museum of Zoology. My retirement begins in July, when I shall be 71 years old. My wife, who will also retire at the same time at age 70, has worked in the Institute for Fisheries Research of the Michigan Department of Conservation for 17 years, at first to help put our three children through college (one M.S., two Ph. D.s), and in the last few years to help build up a modest travel fund. We have a few thousand dollars saved specifically for the purpose of travel after retirement. At present we are in good health, but of course cannot know how long this will continue.

For over a year I have been committed to attend the International Entomological Congress in Moscow in August, 1968, for which I have already paid the registration fees for my self and wife as member and associate member, and have made advance payments to Cosmos Travel Agency for air transport, accommodations and planning of the trip. After the Congress we will do some work in the zoological museums of Moscow and Leningrad, my wife assisting me, and then visit a few of the historic cities of Russia. Then we plan to go via several of the eastern Mediterranean countries, Iran, Afghanistan, India, Malaya and the East Indies to Australia, where we will join a younger colleague from the University of Michigan for a month's field work on the group of insects we both study. Afterward we will continue via New Zealand, perhaps New Guinea,

Philippines and Japan, and return to the United States after an absence of eight or nine months. Throughout this trip we will combine work and pleasure, studying insect collections in the important natural history museums, doing entomological field work related to my research, and also visiting many of the places we have long wanted to see.

During the past eleven years I have been heavily engaged in administrative duties and public service, at the expense of my personal research. Besides directing the Museum of Zoology at Michigan, I have been active in the formation and operation of the Organization for Tropical Studies, in site visitation and evaluation for the Special Facilities Program of the National Science Foundation, and, as chairman of the Subcommittee on Systematics and Biogeography, in the U.S. National Committee for the International Biological Program (National Academy of Sciences). All this time I have looked forward to being able to carry out, after retirement, many of the research undertakings begun earlier. To do this will involve travel, and since I shall be technically unemployed I cannot deduct the costs of such travel as professional expense from my income tax. The imposition of a travel tax will constitute one more, and perhaps the ultimate, impediment to continuation of my studies, and may well prevent me from making the full contribution to my field of science of which I am capable. This would be poor reward for the public service I have performed.

Although our case is obviously a special one, it can stand as an example of what this tax will mean to a great many older people who have made sacrifices in the past in order to be able to travel in later life.

We urge you, therefore, to oppose this measure. If it seems bound to go through, we hope that you will try to secure modifications of its provisions that will take into account age and other considerations. It is, for example, entirely unrealistic to think that for elderly travelers an untaxed per-diem allowance of seven or eight dollars will cover minimum costs. We cannot live like young students; we need an occasional taxi or hired car to get around, and we have to stay in hotels. To attend the Moscow Congress will cost us at least $25 per day apiece, exclusive of transportation. Most of our travel has to be by plane.

Your efforts to prevent or ameliorate the hardships and injustice this tax would cause to persons in our category will be appreciated, not only by us, but also by many others among your constituents and the country as a whole.

Yours sincerely,

THEODORE H. HUBBELL,
Professor of Zoology.

CONGRESS OF THE UNITED STATES,
OFFICE OF THE MINORITY LEADER,
HOUSE OF REPRESENTATIVES,
Washington, D.C., February 19, 1968.

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

DEAR MR. CHAIRMAN: Enclosed is a copy of a letter from Mr. Walter W. Kayser, Manager, International Division, Oliver Machinery Company, Grand Rapids, Michigan, which I respectfully request be made a part of the record of the Committee in its hearings on the President's proposed travel tax.

Mr. Kayser points out an aspect of the President's proposals which merits the attention of the Committee, and it is for this reason that I am pleased to submit it to you.

Sincerely,

GERALD R. FORD,
Member of Congress.

OLIVER MACHINERY CO.,
Grand Rapids, Mich., February 16, 1968.

Re proposed tax on business travel abroad.

Representative GERALD R. FORD,
House Office Building,
Washington, D.C.

DEAR REPRESENTATIVE FORD: I have read your February 14th report concerning the travel tax which is designed to conserve dollars for our government and country.

The writer spends several months out of the year traveling abroad for the Oliver Machinery Company, and no trip is 120 days in length; however, the total travel time easily exceeds 120 days.

My travel is designed not to spend U.S. dollars abroad, but to win dollars so as to help the balance of payments for our government by gaining some export business.

I do not think that it would be proper that such travel be taxed in accordance with the tax schedule proposed. In fact, I do not think that it should be taxed at all since travel of this kind which is designed to bring in U.S. dollars through American business ought to be encouraged rather than discouraged.

I would appreciate your doing everything possible to eliminate such a tax from the new legislation about to be enacted.

Very sincerely yours,

WALTER W. KAYSER,
Manager, International Division.

CONGRESS OF THE UNITED STATES,
OFFICE OF THE MINORITY LEADER,
HOUSE OF REPRESENTATIVES,
Washington, D.C., February 19, 1968.

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

DEAR MR. CHAIRMAN: Enclosed is a copy of a letter from Dr. Dick L. Van Halsema, President of the Reformed Bible Institute in Grand Rapids, Michigan, which I request be made a part of the record of the Committee in its hearings on the President's proposed travel tax.

Dr. Van Halsema points out an aspect of the President's proposals which merits the attention of the Committee, and it is for this reason that I am pleased to submit it to you.

Sincerely,

GERALD R. FORD,
Member of Congress.

REFORMED BIBLE INSTITUTE,
Grand Rapids, Mich., February 13, 1968.

Representative GERALD R. FORD,
U.S. Congress,
Washington, D.C.

DEAR MR. FORD: Your weekly Washington Review contains a comment on the proposed travel tax—as I hoped you would do. I agree that all patriotic Americans will cooperate to defend the financial stability of our country.

However, I believe that the provisions submitted by the President are too restrictive. In connection with my work for Christian Reformed agencies, I have made several trips to Europe in recent years. On some of these trips I have helped organize groups of people interested in attending religious meetings or visiting areas of historical importance. Most of these trips are crowded into 22 days because the most favorable air fares fall in that time bracket. This means that the average visitor to Europe spends at a higher rate for 22 days than he would if he had 30 or 40 days' time to accomplish the same objectives—consequently being liable for more tax (not because he is spending more, but because it happens to fall within a shorter period of time).

In other words, I believe that the fairest tax—if there must be one—should be based on total amount spent abroad, not on how much per day (this would require too much paper work also).

The saddest part of the picture, of course—as you have stressed for years, is that this travel tax might not be necessary at all if true love of country, wisdom, and self-discipline had prevailed instead of the disastrous policies of New Deal, New Frontier, New Society, and what have you. In fact, perhaps it is not too late to take substantial steps in redressing imbalance of payments so that restrictive travel taxes can be avoided.

Cordially yours,

DICK L. VAN HALSEMA, Th. D.,
President.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., February 14, 1968.

Hon. WILBUR D. MILLS,
Chairman, House Committee on Ways and Means,
Longworth House Office Building,
Washington, D.C.

DEAR MR. CHAIRMAN: Mr. George Watts, a well-known jeweler in Milwaukee, Wisconsin, has asked me to submit to the House Committee on Ways and Means his statement on the balance of payments deficit issue.

Enclosed herewith is a copy of Mr. Watts' statement, along with accompanying information, which I hope you'll make a part of the Committee record.

Thank you.

Sincerely,

HENRY S. REUSS,
Member of Congress.

GEORGE WATTS & SONS, INC.,
Milwaukee, Wis., January 31, 1968.

HOUSE WAYS AND MEANS COMMITTEE,
Washington, D.C.

GENTLEMEN: Inasmuch as normal tourist purchasing abroad reflects badly on Americans as being greedy and materialistic and is a net dead loss to our balance of payments problems, plus a further stimulus to tourist travel at a time when a continued balance of payments deficit seriously threatens the dollar, we respectfully request that the Congress of the United States take action to reduce the present subsidy for tourists, which allows them to bring in a $100 per capita of merchandise duty free, be withdrawn completely.

We would submit that such competition has always been grossly unfair to American retailers, as such tourists use our shops to select their patterns and then use their jet mobility and tourist exemption to purchase abroad. We would also submit that any hurt to the legitimate American retailer is a hurt to the government of the United States and local governments, as well, because imported merchandise that comes in through normal trade channels pays salaries and wages to a tremendous proportion of American citizens; and the various corporate units that assist in the importing and distribution pay taxes, of course, to all levels of American government.

Such trade that also comes through normal distribution channels is productive of long term international friendships and is not, as is tourist buying, capricious, undiscerning and non-productive.

I am attaching herewith various addenda to bear on this subject. For example, advertisements which use the tourist exemption to encourage travel; articles by columnists, who have observed tourist behavior and tourist buying abroad; and other articles that may be of interest.

[This material is in the files of the committee.]

With many thanks for your earnest consideration, I am,

Sincerely,

GEORGE WATTS.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., January 25, 1968.

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

DEAR MR. CHAIRMAN: Enclosed is a letter I have received from Mr. E. S. Christoffersen, presenting his views on the curtailment of travel.

I would appreciate it if Mr. Christoffersen's letter could be made a part of the printed record of the hearings on the balance of payments proposals.

Sincerely yours,

JOHN J. MCFALL,
Member of Congress.

CHRISTOFFERSEN POULTRY, EGG, AND FEED MARKET,
Turlock, Calif., January 10, 1968.

Hon. JOHN J. MCFALL,
Representative, Capitol Building, Washington, D.C.

DEAR CONGRESSMAN MCFALL: We sincerely trust you will take time to read this letter as we feel it contains very important information which will assist you in making your decisions on these problems here in mention.

We have heard on the news media, that President Johnson is going to request the Legislators to pass a bill curtailing United States citizens from manufacturing portions of their products in other countries and bring it into the United States and also curtailing travel from the United States to other countries by either charging a tax on travel or limiting the amount of money spent.

This letter has no intentions, in any degree, of reflecting on the integrity of our President, but, to give you some idea of what we have observed through our business as exporters, as well as traveling extensively abroad. Each year, for many years, we have visited several countries in selling our turkeys and turkey products.

The wages in America have been increased so high in proportion to foreign countries to the extent that each year a greater percentage of foreign products are imported into our country. Most of our duties are so low on imports, putting our own products at a disadvantage cost wise. Therefore, the industry in America has had to resort to build a great amount of their component parts in other countries in order to live with competition. Even our government buys from other countries for less.

In our own industry, turkeys, the Common Market Countries had duties and charges of 4½ cents per pound before the Common Market took effect. After the effective day, they raised it to around 14 cents per pound and have made very little adjustment since. The year before Common Market Countries started, we sold 2¼ million pounds into Germany, but, with this heavy increase of charges and duties, our business thus has dropped to 20% of what we formally sold in Germany. The high duties and charges have greatly effected the United States exports into the Common Market of our poultry, but look at all the products these countries are shipping into America with practically no duties.

We have just illustrated a few of the problems industry has in America, not only in one group of countries, but all the countries of the world. Our industries are confronted with tremendous imports of foreign countries products.

We can keep our money in balance if we will make a careful study of the imports of our agricultural and other products into our country and wherever they are effecting our own economy by putting our own people out of work. We must increase the duties or charges on these products thus preventing our monies from leaving our country.

1. The general wages on steel, automobiles, etc., must hold their wage line to protect America and her people against this tremendous inflation trend we are now experiencing.

2. We should charge all foreign countries, who impose exorbitant duties and charges upon United States products, as great a duty and or charges upon the import of their merchandise into the United States.

3. The State Department must be more firm in our position on any agreements than we have been in the past; thus, protecting our industry and employees in America. They also must realize that all these countries are hard boiled bargain makers and will do most anything including yelling and screaming to scare America into giving into their goals and purposes.

4. Any country, which we trade with, who exports their products into the U.S.A.-import duties on their products should be so set by our country to protect our employees and industries of similar products manufactured in our own country.

5. To curtail the government expenditures of U.S. dollars in foreign countries.

A few years ago, I wrote many legislators and suggested that if five brilliant businessmen were selected to analyse all departments of government expenditures, with the authority to hire or fire, demote or promote, we could save a staggering amount of money. Some method; however, must be devised which will accomplish wasteful expenditures through all departments.

We have a lot of work to do in our own country to protect our employees and industry. The above recommendations, I believe, would help to make a tremendous economical recovery.

We must eliminate our manufacturers problems with the competition from other countries. If we carry out the President's thinking in this matter and not the above mentioned suggestions, we would only create a bigger economical problem in the U.S.A. The import of merchandise with low or no duties is of greater concern to our economy. We are positively opposed to his proposals on the tax of travel and or curtailment of monies used on travel, as this would be effecting our freedom.

We feel that the tremendous expenditures being made by our own government in foreign countries, makes them possibly one of the biggest contributing factors of the excessive outflow of U.S. dollars. This particular field should be thoroughly investigated and corrective measures taken.

Thank you for reading this letter and we trust and feel confident that you will give it serious consideration.

Wishing you and your family a Happy 1968.

Sincerely yours,

E. S. CHRISTOFFERSEN,
President.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., March 8, 1968.

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

DEAR MR. CHAIRMAN: Enclosed is a letter I have received from Miss Gloria Saltzman of Tracy, California, a former member of the Peace Corps, presenting her views of the possible adverse effects of the President's proposed Travel Tax Program upon our international relations.

I would appreciate it if Miss Saltzman's letter could be made a part of the printed record of the hearings on the balance of payments proposals.

Sincerely yours,

JOHN J. MCFALL,
Member of Congress.

TRACY, CALIF., *March 5, 1968.*

Congressman JOHN J. MCFALL,
U.S. House of Representatives,
Washington, D.C.

DEAR SIR: Several recommendations have been made by the Johnson Administration in an attempt to ease the flow of gold from the United States, and to keep the American home. This is to be done by encouraging foreigners to vacation in the United States, and by inflicting a tax upon the Americans who desire to travel abroad, particularly out of the western hemisphere.

The former recommendation is a good one but not too feasible. The United States is a vast and an expensive country to travel. Few people come to the United States equipped with a trailer, or camping gear, a method used with increasing frequency here. It will be a very long time until foreigners, other than students on scholarship, military officials, embassy personnel, etc., are able to travel within the United States.

The latter recommendation is one I emphatically and completely disagree with. To apply a tax upon Americans who want to travel outside of their country would, in fact, do little to really halt a flow of gold. More importantly, it is necessary to understand the negative consequences of such an act. The tax would put an unnecessary hardship on certain Americans, as well an inhibiting their traditional right of freedom of movement. At the same time, it would prove damaging to the ever sagging prestige of the United States. It would retard the beginnings of understanding—ours and that of other nations. It negates the importance of the tourist to the nonwestern country, in particular.

I think that I can speak from experience. I have recently returned from two and one half years of Peace Corps service, in Liberia, West Africa. During that time, I traveled overland through West Africa. On the way home, I managed to visit in Morocco, Greece, Israel, India, Thailand, Hong Kong, and Japan. In my

own small way (but multiplied by the hundreds of and thousands of others doing it, too), I have done more for this country, in the long run, then a visit of a President, a Senator, or a bureaucrat.

In my travels, I unfortunately, often saw the ugly American—the man who should have stayed in Kansas if he wanted Kansas comfort, of the elderly rich woman who traveled via criticism, of the government official on a fact finding mission, who in three weeks couldn't perceive and appreciate what I did in three days. In Japan, an elderly grandmother looked at me and said, "You know, you are like Japanese. You sure you're an American?"

Through our traveling, by our becoming part of the Liberian, or Turkish, or Indonesian, by being what was good and simple, we helped in a deeper way, perhaps, than through our teaching in the secondary schools, or at our well baby clinics or blood banks.

The local U.S. AID official who had misgivings about eating the local food, because it was different, wondered why he wasn't accepted. In the same manner, a social welfare worker in the States wonders at her rejection in a migrant worker camp in San Joaquin County, even though she is dressed "for church", and the "clients" look as if they have spent a day in the fields (which they have).

In other words, we are winning more friends, building more lasting bridges, and creating a better climate through contact with our youth, our peace corps volunteers, and other voluntary agencies. They may travel on a shoe string, but they quickly get to the heart of the matter.

To the rich, to the established, what is a hundred dollar tax? He'll go anyway—often to the best hotel, the tourist meccas—and see little. But what about the sudent, the Peace Corps volunteer, etc? That one hundred dollars could mean the difference between his going and not going.

By Americans spending abroad, they are in the long run saving their country money. For instance, the tourist buys crafts in Dahomey, West Africa. Increasingly, there is a demand for goods, and a cooperative is founded. Soon, a national tourist center is constructed. It is profitable. The people within the cooperative and center are no longer in a subsistence situation, and government money can be re-allocated. As the government is able to re-allocate and pay for its own development, the contributing nation spends less.

In the two and one half years I lived in Liberia, the amount of hardware and food stuffs available in the hinterland stores quadrupled in amount and in variety. Why? Because the volunteer, government official, the AID advisor were there to buy. As he bought more, the price lowered some, and more of the general population could buy. Whole new markets were started. Many students were able to attend school, for instance, because they had employment on a part time basis. The small amount of money I paid some of my students for services is not even enough to speak about, but without that money, many Daniels, Jacksons, and Donahs wouldn't be in school today. Isnt' this—a need and growth of consumer goods and higher school enrollment part of the development and goal of a society? Is it not detrimental to our policy in the United States to help the developing nations, if we put a tax on visits by Americans to the very places where the American dollar is most needed?

Is it not better to encourage the spending of money in this country through tax exemptions on internal vocations? Is it not better to re-allocate here at home? Is it not better in the long run to bring the Viet Nam war to an end?

Since returning to the States, I have worked with an OEO migrant education program in California. I have seen enough waste, ignorance, faulty planning, and misallocation—all of which is more important, than a need to tax foreign travel. I question the intelligence of letting domestic spending pass with so little scrutiny.

When laws, such as a tax on travel come along, I feel this country slip back, become isolationist, as if the outside goes away when we close our eyes. Having lived abroad and served as a volunteer, served in poverty programs here, etc., I, unlike President Johnson, cannot close my eyes to real issues. There is no easy way out, of course. This does not mean that we attempt anything.

Sincerely,

MISS GLORIA SALTZMAN,
Tracy, Calif.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., February 22, 1968.

Hon. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
Longworth House Office Building,
Washington, D.C.

DEAR MR. MILLS: I am enclosing here a letter which I have received from my constituent, Mr. Richard E. Spear, who is an Assistant Professor of Art at Oberlin College, Oberlin, Ohio.

I am impressed with the views that are expressed by Mr. Spear in his communication on the travel tax and its effect on student and teacher trips abroad.

Therefore, I would like to request that Mr. Spear's comments be made a part of the record of the hearings. If additional copies should be required for review by members of the Committee, and interested departmental and legislative staffs, please let me know and I will be glad to send more copies on to you.

Sincerely,

CHARLES A. MOSHER,
Representative to Congress.

OBERLIN COLLEGE,
DEPARTMENT OF ART,
Oberlin, Ohio, February 8, 1968.

Congressman CHARLES MOSHER,
Congress of the United States,
House Office Building,

DEAR CONGRESSMAN MOSHER: I should like to express my serious concern with the proposed legislation concerning travel outside of the Western Hemisphere. My thoughts concerning the per diem tax were expressed yesterday in an editorial of the *New York Times*: basically, that the complications and doubtful fairness of the system will undermine much of the good faith taxpayers have shown in the past in voluntary systems. I further agree that if necessary, a tax on transportation is justified.

From a personal and professional point of view, however, I am most disturbed by the clear decision to deny students and teachers exemptions for summer trips by requiring an absence of 120 days for an exemption. If, *in principle*, those groups merit exemptions for longer stay abroad, on what basis does one conclude that a shorter trip is not as important? As is well known, research and subsequent publication is prerequisite at all good schools to tenure and promotion, as well as to good teaching. Thus for the historian, social scientist, and many others involved in study of non-Western Hemisphere cultures, research trips are imperative. For example, I am currently writing a book on an Italian painter of the Baroque age and my plans include, indeed the book demands, many trips to Italy and other Euorpean countries. It simply cannot be done in our libraries and without visits to Italian museums and churches time and time again. Taxation of this work, which is intimately related to my position *and* teaching seems contradictory to the professed interests of the Johnson administration. Likewise, the setbacks suffered by summer student programs, and even the curtailment of individual student trips I would find a serious blow to the education of American students. And this seems to be the inevitable consequence of the proposed legislation.

Thus I urge you and your colleagues to consider this problem most seriously, balancing against the economic crisis of the balance of payments the vital role of education in the United States.

Thank you very much for the time and attention given to my thoughts.

Sincerely yours,

RICHARD E. SPEAR,
Assistant Professor.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., February 23, 1968.

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

DEAR MR. CHAIRMAN: I have received many letters from my district opposing the proposed travel tax program now in hearings before your committee.

However, I think that none expresses so sincerely and succinctly the effect of the proposed restrictions on our elder, retired citizens as that of Mr. Henry A. Skorga which I am enclosing. If it is possible I would like to have Mr. Skorga's letter made a part of the hearing record.

No reply to this letter is necessary.

Sincerely,

LARRY WINN, Jr.,
Member of Congress.

KANSAS CITY, KANS.,
February 7, 1968.

Representative LARRY WINN, Jr.,
Washington, D.C.

DEAR SIR: As residents of your district I am writing to ask your help in getting some fair exemptions in the proposed tax on European travel.

I am 69 years of age, my wife is 67. Our finances are limited. We have saved for years to visit relatives in Europe. Our passage has been booked for some time, on the Bremen for May 18. We had planned on buying a Volkswagon (small) here and having it delivered there. Our relatives are scattered in different villages and countries. A car is a necessity to get from village to village. It will be impossible to avoid hotels and restaurants. I ask you, how can this be done on $7 a day? We plan to be gone 90 days. We can't afford to pay a large tax on our return. We have been paying tax on tax all our lives.

Our relatives are old and so are we. If we don't go now we won't be able to go at all.

This is a real hardship on retired people.

We go tourist class and are not people who spend lavishly, but there are necessities that have to be met when traveling.

Please see what you can do for people like us.

Sincerely,

HENRY A. SKORGA.

STATEMENT OF AMERICAN COUNCIL ON EDUCATION, AMERICAN ASSOCIATION OF JUNIOR COLLEGES, AMERICAN ASSOCIATION OF STATE COLLEGES AND UNIVERSITIES, AMERICAN ASSOCIATION OF UNIVERSITY PROFESSORS, ASSOCIATION OF AMERICAN COLLEGES, ASSOCIATION OF AMERICAN UNIVERSITIES, COUNCIL OF PROTESTANT COLLEGES AND UNIVERSITIES, AND NATIONAL ASSOCIATION OF STATE UNIVERSITIES AND LAND GRANT COLLEGES

We have studied with care the proposals for restricting travel outside the Western Hemisphere, placed before the House Ways and Means Committee on February 5, 1968 by the Secretary of the Treasury. As associations representing American higher education, it is our obligation to consider the probable effect of these proposals upon students, scholars, and academic administrators who travel abroad for study, teaching, research and other professional purposes.

Fully aware of the gravity of the balance of payments problem we have concluded nonetheless that the balance of the national interest would not be achieved by the imposition of the proposed expenditure taxes on professional academic travel.

In principal, we of course share Secretary Fowler's view that the proposed restrictions are "uncongenial." In practice, we believe that they will unwisely limit bona fide academic programs and relationships which this Government has itself encouraged and supported for over twenty years.

The Secretary's own testimony indicated that student and scholarly foreign travel comprise about 5% of the total American travel abroad at which the proposed measures are directed. The exemption already provided in the pending proposals for long-term (over 120 days) foreign travel of students and scholars further reduces in prospect the number of academic travellers who would presumably be liable to taxation. The relatively insignificant outflow of dolars, therefore, which might be stemmed by the imposition of expenditure taxes upon short-term academic travel does not, in our judgment, compensate for the educational and professional losses likely to be sustained.

STUDENT STUDY-TRAVEL

As we have analyzed them, the proposed restrictions will bear most heavily upon short-term academic travel normally undertaken during the summer

months. American institutions, for example, sponsor well over 100 undergraduate study programs abroad during those months involving some 8,000 students—integral in the academic offerings of the home university or college, normally conducted for credit with the threefold purpose of: (1) broadening the base of liberal education (2) increasing competence in foreign languages and in the knowledge of other cultures, and (3) affording specialized study in major academic fields. The range of American institutions involved includes the full spectrum—public and private, large and small, universities, colleges, and junior colleges.

The experiential cost data which we have examined indicates that living costs to individual students for academic programs of limited duration abroad would be in excess of the $7.00 per diem general exemption proposed, thus throwing all or virtually all students participating in such programs into at least the 15% bracket of expenditures tax liability. Leaving aside the 5% travel tax contemplated, the expenditures tax liability alone could add $50–$200 or more to the individual student's total cost for summer study abroad. There can be no real doubt that summer study programs would be hard hit by such additional liability. In highly specialized student programs of longer (but less than 120 days) duration, where the educational program is based upon extensive travel, the added costs could be prohibitive.

We do not believe that it is in the national interest, on balance, to curtail student programs abroad which are aimed at increasing our people's literacy in world affairs and their understanding of other cultures. The validity of this principle seems to us to have been acknowledged in fact by the inclusion of the 120 day exemption in the proposals as they stand. We conclude, accordingly, that the distinction between long-term and short-term student study abroad embodied in the expenditures tax proposals is fallacious.

SCHOLARS AND ACADEMIC ADMINISTRATORS

We cannot but reach the same conclusion as respects short-term, professionally-related scholarly travel abroad and the comparable travel of academic administrators. The responsibilities of the teacher-scholar-academic administrator require that he normally be in residence on the home campus for at least nine months each year. As a consequence, he tends to concentrate his travel abroad for research and other professional purposes into periods of less than 120 days. The $7.00 per day exemption provided for foreign travel of short duration is even less adequate for the scholar than for the student. It is our opinion that most scholars and others in this category would fall within the 30% bracket of expenditures tax liability under the pending proposals. There can be little doubt that such tax liability would significantly penalize, and thus curtail, academic travel in this category. We do not believe such a result to be in the national interest. Hence, as in the case of student travel abroad, we reiterate that the distinction for scholars and academic administrators between long- and short-term travel abroad is fallacious.

We are convinced that government's own encouragement and support of the foreign travel of academic leadership has, for well over two decades, amply demonstrated its belief as well as ours, that increased international communication between academics is a significant public goal. Quite aside from the advancement of knowledge through research, it appears beyond much dispute that the enhancement of mutual understanding among cultures, and the cultivation of standing international ties between such professional leadership groups, are priorities of a high order for this nation. We do not believe it logical to curtail such scholarly activity, nor equitable to penalize, through the proposed expenditures tax, the scholars or academic administrators who are its vehicle.

TRAVEL ON BEHALF OF THE UNITED STATES GOVERNMENT

A substantial amount of short-term foreign travel by scholars and academic administrators is, furthermore, undertaken at the behest or under the sponsorship of government (e.g., in the Fulbright Program, the AID program, consultantships and advisory mission of many kinds, "official" delegations to international meetings). Irrespective of its duration, such travel should be exempted in equity from the taxes proposed as is "United States Government Travel."

In Summary, we reemphasize our concurrence with what has been long-standing public policy: that student and scholarly professional travel is in the national interest. We believe that it should, therefore, be exempted from the proposed

expenditures tax without regard to duration. The failure to so exempt it would result, on the basis of Secretary Fowler's own estimates of the percentage of foreign travel involved, in a wholly insignificant contribution to relief of the balance of payments problem.

American Council on Education.—Total membership: 1,538, which includes 1,286 institutional members, 129 associated, 70 constituent, and 53 affiliates.

American Association of Junior Colleges.—Total membership: 757 junior colleges.

American Association of State Colleges and Universities.—Total membership: 232 states colleges and universities.

American Association of University Professors.—Total membership: 87,754.

Association of American Colleges.—Total membership: 894 colleges and universities, chiefly concerned with undergraduate education.

Association of American Universities.—Total membership: 42 United States universities.

Council of Protestant Colleges and Universities.—Total membership: 230 United States colleges and universities.

National Association of State Universities and Land Grant Colleges.—Total membership: 99, including 68 land grant institutions and 31 state universities.

STATEMENT OF DR. F. GORDON BOYCE, PRESIDENT, THE EXPERIMENT IN INTERNATIONAL LIVING

As President of The Experiment in International Living, I am neither an advocate of the Travel Tax Program nor an unregenerate complainant. The Experiment will suffer from such proposed taxes—to some extent, it already has—but I am confident that it will survive. My position, however, is not one of neutrality; it is one of genuine concern. My thoughtful citizen can afford to ignore the persistent gap in our balance of payments—a gap which threatens the soundness of the dollar at home and its strength abroad. The question is not *whether* something must be done, but *what*.

For 36 consecutive years, since 1932, The Experiment has offered programs of cross-cultural education for young people from many nations. The classic Experiment program had already assumed most of its present dimensions by the second year of operation: a two-month program for a group of carefully-selected, carefully-oriented young people who go abroad with a trained adult leader to live and learn in another nation, usually during the summer vacation. The unique feature of the program is that each Experimenter lives alone for a month with a family in the country he is visiting.

In short, the Experimenter takes his beginner's lessons in coping successfully with the people of another society. He comes away enriched; but more than that, he comes away a better citizen of his own country, with embryonic skills his nation desperately needs to fullfill its international commitments.

Responding to growing demands for more specialized language-and-area study programs, and for intensive cross-cultural orientation and training, The Experiment in 1962 established its School for International Training on a 250-acre campus with facilities for 200 students. Since its inception, more than 2,500 persons—Americans as well as participants from abroad—have enrolled at the School for short-term programs involving language instruction, techniques of effective functioning overseas, intensive threshold orientation to American life, and area studies, including training programs for over 1000 Peace Corps Volunteers.

The School for International Training, recently recognized by the State of Vermont as an institution of higher education, now offers a variety of academic programs, the most recent of which is a 15-month academic and overseas internship program for graduate students intending to pursue careers in international affairs.

A sound case can be made that programs such as ours—and there are a number of good ones—serve the national interest in ways which far transcend any adverse effect they might bring to the balance of payments. The United States has a vested interest in the education of its youth for leadership in the world community. The young person who can function effectively overseas is still a scarce commodity. The same might be said for citizens with the capacity to analyze and understand why a foreign country reacts to American policies in

ways which to us may seem irrational; or why the United States must sometimes pursue policies abroad which defy the dictums of Anglo-Saxon common sense. Our primacy in world affairs leaves us no choice but to educate our young people for international as well as national responsibility. For this reason alone, a host of eminent leaders in education, government, and private enterprise have reached the common conclusion that a significant educational experience abroad must one day be a mandatory feature of higher education in the United States.

To make the essential point, we must not discourage the education abroad of those outstanding young Americans who will staff the coming generation of citizen-leaders, for the sake of questionable short-term gain in our balance-of-payments position. Besides, one need not be sacrificed for the other. I doubt very much that legitimate programs of educational exchange contribute enough to the deficit in our balance of payments to make a noticeable difference.

Let me suggest ways in which the purposes of the Travel Tax Program might be served without prejudice to those overseas programs which have genuine educational value.

First, we urge that Congress and the Administration take steps to remove the stigma attached to student travel abroad implicit in the recent proposals. The disquieting sense of disservice to the nation can be dispelled simply by stating, unequivocally, that it is *not* unpatriotic to go abroad if the purpose is primarily educational.

Second, we strongly recommend that students or teachers going abroad for even a short period of time not be required to pay taxes on any sums expended on their behalf by colleges, universities, secondary schools, and organizations recognized as nonprofit by the Internal Revenue Service, whenever these expenditures constitute part of the arrangement for *bona fide* educational programs. This exemption should include payments for meals, housing, transportation, faculty salaries, instructional costs, or administrative expenditures. We feel that this is the only sound way to protect programs from severe damage by the proposed taxation.

The following criteria might apply for granting exemptions:

1. That the traveler be a *bona fide* student at the secondary-school, undergraduate, or graduate level.

Student status can be readily documented. The exemption should apply to any person who was a student in good standing within a reasonable period before undertaking foreign travel, including recent graduates, since the years during and immediately after formal schooling are those in which a young person is most inclined, and generally most available, to embark on educational travel abroad.

2. That the student go abroad on a recognized program with built-in opportunities for getting acquainted with the citizens of the nation visited.

There are two problems here. One is that of recognition. It is highly improbable that the Administration would wish to become involved in evaluating performance and attesting to the reputability of private educational-exchange organizations. The best approach might be to accept the State-granted charter of incorporation of a given private organization at face value; that is, the Federal Government would recognize a State's acceptance of an institution as a *bona fide* educational-exchange organization. The second problem is that of judging what constitutes a significant cross-cultural experience. The only practical solution, again, is to accept at face value what an organization says about itself in its literature, until experience confirms or refutes its self-description. Favorable consideration would be given to organizations offering through their program announcements such host-culture-oriented experiences as homestays, regular use of youth hostels, employment in indigenous businesses, binational study programs, and service in binational work or youth camps.

In summary, under the system outlined above, exemptions from travel taxes would be extended to *bona fide* students enrolled in educational-exchange programs sponsored by State-chartered organizations offering educative cross-cultural experiences through their program announcements.

A simpler approach would be to raise the exemption ceiling for students from $7 to $15 as a more appropriate ceiling. A student living frugally—or a well-managed exchange organization sponsoring him—can budget within the $15 range for food, lodging, and in-country transportation. In fact, the more frugally he lives, the more likely he is to come into close contact with nationals of the host country. The pressure toward thrift can only work toward the student's benefit;

but a $7 limit hardly qualifies as a realistic guidepost, given costs of living abroad today.

The third suggestion focuses on the proposed 5% tax on international air travel. We don't like it, but we can at least live with it. It is nothing more than an extension of the excise already imposed on domestic air travel. There has been talk of using half the proceeds to improve domestic facilities; for instance, by extending airport runways. We would only recommend that some small part of the total be allocated to construction of low-cost student accommodations—youth hostels, perhaps—for both American and foreign students traveling within the United States. Private organizations have done yeoman service in providing such limited facilities as we have, and in trying to raise funds for more; but private funds are simply inadequate for the task in a country of such size and complexity. A systematic injection of funds would be welcomed by all of us who feel a responsibility for promoting travel by young people within the United States.

Fourth, we recommend that the Administration facilitate the sale of Government-owned foreign currencies to private, educational-exchange organizations, such sales to be made in dollars paid in the United States, with equivalent foreign currencies paid on demand abroad. Under this system, foreign-currency accounts would be reduced, without loss of dollars, and students would not be obliged to pay *per diem* taxes.

Fifth, a special effort should be made to encourage private educational-exchange organizations to develop reciprocal programs with other nations; that is, to bring roughly as many exchange students to the United States as they send abroad. The Experiment has already demonstrated the possibilities. Last year we sent 2500 Americans abroad on our various programs; but we brought 2800 young people from other nations to the United States. As a result, we generated a *net inflow* of dollars. Not many organizations are presently equipped to promote and manage a two-way flow; but some of them could develop such a capability, given a little encouragement.

We suggest that an incentive be written into the Travel Tax Program. If we have read the proposed legislation correctly, we can assume that The Experiment will be taxed on dollar expenditures abroad without regard to the net favorable balance in our dollar account. To encourage two-way exchanges such as ours, why not impose an annual tax on *net* program expenditures abroad by a given nonprofit agency; that is, on the difference between expenditures made overseas on behalf of fee-paying American participants and expenditures made in the United States for fee-paying participants to this country? The *per diem* exemption, in terms of total man-days spent abroad, would be subtracted from the net figure. An exchange organization bringing enough foreign students to the United States to reduce its net dollar outflow beneath the cumulative exemption figure would not be required to pay a tax. The incentive would be a powerful one.

The sixth and final point relates directly to the one above. We are not alone in recommending the stimulation of a heavier flow of foreign visitors to the United States as the most constructive and viable approach to the balance-of-payments problem. We can only add our own strong endorsement to some of the enlightened initiatives already taken. The report of the Industry-Government Special Task Force on Travel is a model of public-private cooperation toward solving a common problem without recourse to new legislation or administrative regulation. Private, nonprofit education-exchange organizations, and the thousands of young people they program annually, will be among the immediate beneficiaries, as discounted rates for domestic and international travel, and for food and lodging, are reflected in lower charges to incoming program participants.

At present, our domestic tourist industry is not well attuned to the potentials and needs of the low-budget tourist. Travel in the United States is formidable, especially for the independent tourist who speaks little English. How far can he go on his limited budget? Given a range of time and distance, where should he go and what should he do? Where can he find a clean, moderately-priced hotel, where somebody speaks his language, in a neighborhood where he will be safe on the streets at night? What restaurants and cafeterias offer wholesome foods at competitive prices? What form of transportation is most appropriate and inexpensive for travel between two points? Where can he exchange his own currency for dollars? How can he meet Americans in their homes, businesses, or recreational facilties? Where can he find help when he is in trouble? Most important of all, do Americans really care about his being here?

The answers to these questions lie in the single word "sponsorship." The low-budget traveler must have access to organized programs, to various kinds of "package tours," within his financial means. Experiment programs, as an example in the nonprofit category, solve these problems in advance, at a price within range of moderately well-to-do foreign students. The visitor is thereby freed to devote all his energies to the business of seeing the United States, meeting its citizens, and getting to understand what the American way-of-life is all about.

Every student visitor should have the same advantages. He probably won't, however, unless steps are taken to subsidize private sponsoring organizations from a variety of public and private sources. The sobering fact is that The Experiment can program 2,800 students to the United States each year only by raising funds, arduously and continuously, in order to underwrite a portion of our incoming programs and thereby to offer them below cost. It is easy to understand our enthusiasm for the projected discounts on travel and accommodation rates, which will surely permit further reductions in our incoming program fees.

Sponsorship can also operate exclusively at the local level, providing facilitative services for international visitors once they have arrived in a community. The best example of locally-supported enterprises of this sort may be found within COSERV—the National Council for Community Services to International Visitors—comprising a national network of voluntary organizations in some 80 major communities. COSERV affiliates are supported entirely by local contributions, always from private sources, sometimes in part from municipal governments. Typical of the services provided are "language banks," through which a non-English-speaking visitor can be put in touch with a resident who speaks his language; lists of low-cost hotels, rooming houses, and other accommodations; lists of inexpensive restaurants and cafeterias; sightseeing and other useful guidebooks in many languages; social gatherings for Americans and foreign visitors; introductions to American families and to Americans who share similar professional interests; volunteers to serve as guides to points of interest; and counsel on what to do and how to get around within the community.

COSERV affiliates are particularly oriented to the needs of international visitors brought to the United States as guests of the United States Government and programmed under contract by various national agencies (including The Experiment in International Living). Many of these local units are ready and willing to offer their services to foreign visitors in other categories, but only for those who cannot afford a commercial tour or who have come not with the intention of just sightseeing, but of having a valid educational experience. In other words, COSERV offices, totally non-commercial in their own right, have no interest in competing with their commercial counterparts.

The availability and willingness of community volunteers are counterbalanced by a characteristic paucity of funds to run a professional operation. Even in a voluntary organization, there must be a full-time, professional staff committed to efficient preformance; and there must be a centrally-located office with a modicum of furniture, equipment, and supplies. Volunteers must be recruited, trained, and supervised; correspondence and telephone calls must be answered; and information on community resources must be continually checked, updated, and made available to the inquiring visitor. But to underline the crucial point, voluntary offices such as those in the COSERV network are already operational, anxious to be of service to international visitors; and they represent another invaluable resource in our common effort to make American communities more agreeable, accommodating, and attractive places to visit.

Many of these service agencies do not need much, but that much they need badly. If they could be certain of a solid base of financial support, year in, year out, they could expand their volunteer forces and services to an extent which would substantially augment local capabilities to serve foreign visitors. Moreover, they are amenable to coordination by the National Office of COSERV in Washington, D.C. Why not make greater use of them in fighting the balance-of-payments problem?

Should the Federal Government lend a helping hand? Possibly, but not unequivocally. The educational-exchange field has always been in a class by itself, benefiting a little now and then from Federal Government largesse, but surviving by and large on its own merits. Educational exchange is supported by tens of thousands of Americans, yet has no coherent constituency. It is funded by private individuals, private enterprises, and local governments, yet serves national foreign policy goals. It lives day-to-day, hand-to-mouth, yet somehow

manages to grow a little every year. It yearns to do more in the service of international understanding, yet chafes beneath a burden of perpetual financial need. The Federal Government, which could provide coordinative leadership or catalytic funds, provides neither in adequate amounts. Yet much is possible. Let me cite an example.

For a number of years, the State Department subsidized charter flights of The Experiment which carried about 160 outstanding young Americans every summer to Greece, Turkey, Israel, Egypt, Iran, Pakistan, and India; and which brought as many young nationals to the United States from the aforementioned countries, plus Thailand, Ceylon, Lebanon, Syria, and Jordan. The charters were paid in Indian rupees which had accrued to the United States Government account from the sale to India of surplus wheat and other grains. No American dollars were involved. The two-way exchange was enormously successful, between the United States and nations with which we sorely require bonds of mutual trust, respect, and understanding. The *per capita* cost of the exchange to the Federal Government was $505. The Experimenter and The Experiment covered all remaining costs of the two-month programs. The Federal Government could scarcely hope to reap so much goodwill and educational advantage at so low a price; yet the charters were perforce discontinued when cuts were made two years ago in the program budget of the Bureau of Educational and Cultural Affairs.

The need is to bolster the budget of the Bureau of Educational and Cultural Affairs for the specific purpose of providing seed money for private, nonprofit organizations willing to raise the numbers of foreign visitors they bring to the United States on their educational-exchange programs. Such funds might take the form of foreign-currency subsidies to enable them to open and administer offices abroad to recruit, select, and orient participants for programs in the United States, or to pay part or all of the costs of international travel. They might also take the form of dollar subsidies to enable visitors on nonprofit educational programs to travel more extensively in the United States than their limited budgets would otherwise allow. Seed money of this kind would give our educational-exchange organizations the incentive and the means to innovate—to develop new, imaginative programs which would appeal to an ever-expanding number of potential foreign-student visitors.

Still another approach might be made through the ingenious coupon plan recently proposed by Representative Henry Reuss, who recommends a post-arrival gift of $100 in coupons for every first-time foreign visitor, as a practical means of increasing the cost-competitiveness of the United States as a tourist attraction. The coupon book could come with instructions on how to make contact with community service agencies, and with a simple schedule of rates for basic services. Thus, a visitor might contact the COSERV office on his arrival in Cleveland; and for a nominal fee of $5 or $10, paid with a coupon, he could count on reliable advice and assistance in locating low-cost accommodations, moderately-priced restaurants, sightseeing attractions, local tours, and other amenities which would make his visit to Cleveland an enjoyable and memorable one. The voluntary agency would benefit as well—not immoderately, but perhaps enough to confer a deeper sense of security and a corresponding willingness to innovate and expand.

In conclusion, I would like to pledge the dedicated support of The Experiment in International Living in the national effort to reduce the balance-of-payments deficit, with the sole proviso that every step we take be in the direction of reduced dollar outflow without a diminution of the reciprocal educational-exchange activity which we deem so vital and abiding a contribution to the national interest.

SUMMARY

(The Experiment in International Living is an independent, nonprofit, nonsectarian, educational-exchange organization established in 1932 and presently incorporated in the State of Vermont, with headquarters in Putney. The Experiment's subsidiary School for International Training has been recognized and accredited as an institution of higher education by the State of Vermont.)

For 36 consecutive years The Experiment in International Living has offered programs of cross-cultural education for young people from many nations. The hallmark of its programs is the homestay—one month spent living as a member

of a family in another country. In this unfamiliar environment, the participant takes his beginner's lessons in coping successfully with the people of another society.

The United States has a vested interest in the education of its youth for world responsibility. For this reason, a host of eminent leaders in education, government, and private enterprise have reached the common conclusion that a significant educational experience abroad will one day be a mandatory feature of any good liberal-arts education in the United States.

To make the essential point, we must not discourage the education abroad of those outstanding young Americans who will staff the coming generation of citizen-leaders, for the sake of short-term gain in our balance-of-payments position.

There are six ways in which the Travel Tax Program might be implemented without prejudice to those overseas programs which have genuine educational merit:

1. Congress and the Administration must somehow remove the stigma recently attached to student travel abroad. The sense of disservice to the nation should be dispelled by the unequivocal statement of Congress or the Administration that it is *not* unpatriotic to go abroad when the purpose is primarily educational.

2. Students or teachers going abroad for even a short period of time should not be required to pay taxes on any sums expended on their behalf by colleges, universities, secondary schools, and organizations recognized as nonprofit by the Internal Revenue Service, when these expenditures constitute part of the arrangement for *bona fide* educational programs, provided that:

(*a*) The traveler is a student or teacher in good standing at the secondary-school, undergraduate, or graduate level.

(*b*) He is going abroad on a recognized educational-exchange program *with* built-in opportunities for getting acquainted with the citizens of the nation visited.

3. Some small part of the proposed 5% tax on international air travel should be allocated to construction of low-cost student accommodations—youth hostels, perhaps—for both American and foreign students traveling within the United States.

4. The Administration should facilitate the sale of government-owned foreign currencies to private, educational-exchange organizations, such sales to be made in dollars paid in the United States, with equivalent foreign currencies paid on demand abroad.

5. A special effort should be made to encourage private educational-exchange organizations to develop reciprocal programs with other nations—that is, to bring roughly as many exchange students to the United States as they send abroad.

The Experiment wishes to add its own strong endorsement to the many initiatives already undertaken or suggested to stimulate a heavier flow of foreign visitors to the United States as the most constructive and viable approach to the balance-of-payments problem.

STATEMENT OF THE AMERICAN INSTITUTE FOR FOREIGN STUDY AND THE FOREIGN LANGUAGE LEAGUE

Mr. Chairman and Members of the Committee, The American Institute for Foreign Study (AIFS), with offices in Greenwich, Connecticut, is a non-profit, non-denominational organization of American secondary school students and teachers, with over 18,000 members. It was founded in 1964 to facilitate the understanding of foreign countries, their languages and cultures by young Americans. As one of its major activities, AIFS conducts summer academic programs for American high school students and teachers at distinguished European universities and schools; over 4,500 students and teachers participated in its 1967 summer programs.

Foreign Language League Schools (FLL), with offices in Salt Lake City, Utah, is a private, non-profit, non-sectarian organization which operates summer study schools throughout Europe staffed by its own instructors. It is one of the largest, oldest and most experienced international educational institutions. In 1967, FLL enrolled 4,800 students in its summer courses at campuses throughout Europe. FLL distributes each year a number of scholarships for its summer program to students from underprivileged homes, as does AIFS.

We submit this statement in order to express our concern that the Administration's proposed taxes on travel outside the Western Hemisphere in their present form may seriously and adversely affect valuable summer study programs conducted by AIFS, FLL and other recognized educational organizations. We also suggest possible modifications of the Administration proposals which will reduce or eliminate this harmful impact without material effect on our balance of payments.

In particular, we will show:

(1) summer study programs abroad provide a valuable service and their continuation is in the public interest;

(2) the proposed travel taxes will impair the operation of such programs by sharply increasing their cost to students;

(3) the present exemption for students who remain abroad for 120 consecutive days or more should be amended to include students who attended bona fide summer academic programs of at least four weeks' duration;

(4) at a minimum, expenditures by students attending schools abroad for tuition and textbooks and for onward travel (i.e., after a 12-hour stop outside the Western Hemisphere) to places of study should be excluded from the coverage of the expenditures tax; and

(5) as an alternative to (3) and (4), the proposed $7 per day exemption for expenditures should be raised to $15 per day.

I. SUMMER ACADEMIC STUDY PROGRAMS PROVIDE A VALUABLE SERVICE TO OUR NATION

Each summer, many educational institutions in Europe provide excellent courses of academic study for students from both the United States and other countries. A comprehensive listing of the courses prepared by the Counselling Department of the Institute of International Education describes 194 such courses at universities and schools in 22 foreign countries. These schools generally offer four-week language and civilization courses. Typically, intensive language study is conducted in small groups during the mornings, and civilization lectures and field trips are organized in the afternoons.

In 1967, AIFS summer courses were held in Britain (English Literature and History); Germany and Austria (German Language and Civilization); Spain (Spanish Language and Civilization), Italy (Art History and Italian Language); Greece (Greek and Roman Civilization); and Russia (Russian Language and Civilization). Summer programs offered by the FLL in 1967 at 20 European campuses included courses in French, German, Spanish and Italian language and civilization; Biblical history; art history; ancient civilizations; and comparative governments and civilization.

Summer study programs such as those of the AIFS and FLL are offered at surprsingly low cost. A typical AIFS summer study program, involving 40 days in Europe, costs $740 for students leaving from New York and $890 for those departing from San Francisco. A typical six-week FLL summer program costs only $700 from New York. Those fees include round-trip jet air transportation, room and board, tuition, services of a chaperone, weekend trips and sightseeing.

The important benefits to be obtained from summer study programs abroad are evident:

(*a*) A serious student enrolled in a summer language course in Europe will in a short period substantially increase his fluency in the language—as much as a 50 per cent increase in fluency according to tests conducted by AIFS at French and Spanish universities.

(*b*) Young Americans enrolled in European summer study courses learn a great deal about the culture of the country in which they are studying and about the attitudes of other foreign students attending the courses. Increased international understanding is a direct benefit.

(*c*) American teachers are able, at comparatively low cost, to upgrade their professional qualifications via study at European universities and schools.

Congress has long recognized the national interest in educational study abroad, including study of foreign languages. For example, the International Education Act passed in 1966 states "Congress declares that a knowledge of other languages is of utmost importance . . . that this and future generations of Americans should be afforded full opportunity to develop their intellectual capacities in all areas of knowledge pertaining to other countries." Other legislation intended to encourage study of foreign languages and countries includes the Fulbright Act and the National Defense Education Act.

II. THE PROPOSED TRAVEL TAXES WILL HAVE A HARMFUL EFFECT UPON SUMMER STUDY PROGRAMS LIKE THOSE OF AIFS AND FLL

The adverse impact of the Administration's travel tax proposals upon summer study programs in Europe, such as those conducted by AIFS and FLL, will vary with the particular program but will in all cases be substantial. It will normally be greatest in the case of programs at schools in Southern or Eastern Europe or the Near East, which require substantial travel beyond the usual gateways in Western Europe. Taking as an example a 40-day AIFS Biblical History and Modern Israel course at the Hebrew University in Jerusalem (total cost to students is $990), the following rough computations can be made:

Item	Expense	Tax
Round trip charter flight between New York and Milan, Italy	$240	[1] $12
Transportation from Milan to Tel Aviv and return to Rome	150	
Tuition and living expenses during 4 weeks at Hebrew University	150	
10 days' travel in Israel	100	
1 week's travel in Italy	100	
Cost of chaperone's services	50	
Out-of-pocket personal expenditures by student ($3.75 per day for 40 days)	150	
Total taxable expenditures [2]	700	
Tax on expenditures [3]		78
Total tax per student		90

[1] 5-percent ticket tax.
[2] This calculation assumes that the administration does not intend the expenditures tax to apply—and we sincerely trust this is the case—to that portion of study program fees which remain in the United States to pay for administrative and promotional expenses incurred here.
[3] $280 in expenditures are exempt ($7 times 40 days); $320 is taxed at 15 percent ($48); and $100 is taxed at 30 percent ($30).

To be sure, the tax impact will normally be less severe in the case of study programs at universities or schools in England or France. With respect to these programs, we estimate the tax per student at about $50. But even this amount will add more than 7 per cent to the cost of a $700 FLL program.

Since many students enrolled in summer study programs come from cost-conscious middle-income families, the effect of the travel taxes will be considerable. We fear a sharp decline in the number of students engaged in summer study abroad, especially in programs in such countries as Israel or Greece, if Congress accepts the travel tax proposals in their present form.

With regard to summer study programs in 1968, firm arrangements were completed several months ago. The effect of numerous cancellations at this late stage would be extremely detrimental to the American sponsoring organizations, the European universities or schools involved and the airlines or shipping companies who have contracted to provide transportation.

III. THE PROPOSED EXEMPTION FOR STUDENTS ENROLLED IN BONA FIDE COURSES WHO REMAIN ABROAD FOR AT LEAST 120 CONSECUTIVE DAYS SHOULD BE MODIFIED TO COVER STUDENTS ENROLLED IN FOUR-WEEK SUMMER PROGRAMS

In his statement of February 5, 1968, submitting the Administration travel tax program to this Committee, Secretary of the Treasury Fowler reiterated the President's concern, as expressed in the State of the Union message, that reduction of foreign travel expenditures be achieved in a manner that would not unduly penalize the travel of teachers and students. Secretary Fowler also pointed out that only 5 per cent of American overseas travelers go abroad to study or teach. Yet in implementing this stated concern for students participating in educational programs abroad, the Administration's tax proposal provides exemption only where such students remain abroad for "at least 120 consecutive days."

As noted above, American high school students and teachers who utilize the summer programs conducted by AIFS, FLL and similar educational organizations are without exception enrolled in formal courses of study at recognized educational institutions. But since high school students and teachers must enroll in those courses between the regularly scheduled semesters of their schools in

the United States, the programs must unavoidably be concentrated in abbreviated terms of study, normally four weeks in duration, during the summer months. Accordingly, for high school students and teachers, as well as many other students who attend summer study programs abroad, the 120-day period of residence required by the Administration's proposal is simply impossible of attainment. Thus, the 120-day provision arbitrarily bars students and teachers enrolled in bona fide summer study programs from receiving any of the consideration that the Administration has proposed to give to other Americans engaged in study abroad.

The proposed 120-day requirement does not have any basis in logic or experience. The vast majority of the existing programs provide either for enrollment by American students in foreign schools or universities for a full nine-month "Junior Year Abroad"—which programs are open only to a relatively few college students—or for four-week summer study programs such as those offered by AIFS and FLL. These are virtually no academic programs that are keyed to a 120-day overseas stay.

Nor is there a qualitative difference between 120-day programs and those of shorter duration. A student or teacher engaged in a full course of study for one month may be engaged in educational activity that is as much in the national interest as a course that last four months—since the mere duration of a study program is certainly not the ultimate measure of its value. Indeed, the value of short-term summer courses is demonstrated by the fact that the U.S. Office of Education spends millions of dollars (under the National Defense Education Act) for short-term summer foreign language workshops in Europe and the U.S. for American public school teachers.

Since the choice of a 120-day period was thus an arbitrary one, unrelated to the real facts concerning education abroad, we submit that modification is warranted. The substitution of a four-week minimum period of formal academic study as the basis for the tax exemption would benefit many American secondary school students and teachers who attend summer educational programs abroad. These students and teachers deserve relief as fully as those (perhaps more affluent) students who are able to study abroad for longer periods.

Our proposed modification of the Administration proposal would not involve additional administrative burdens. Whatever the required length of stay, it will presumably be necessary to require some certificate or other evidence attesting to the individual's status as an enrolled student. This certification or other evidence can be furnished with equal reliability whether the course attended lasts 4 weeks or 16 weeks.

In sum, limiting the tax exemption to students remaining abroad for 120 consecutive days unjustly ignores the thousands of American students and teachers—we estimate about 15,000—who enroll in summer study programs. This limitation serves to nullify the officially expressed intention to preserve and encourage such study abroad. It is an arbitrary limitation which should be modified to exempt from the expenditure tax students and teachers who attend full-time courses of academic study for a minimum period of four weeks.*

IV. AT A MINIMUM, THE FOREIGN EXPENDITURES SUBJECTED TO TAX SHOULD EXCLUDE THE COST OF TUITION, TEXTBOOKS AND ONWARD TRAVEL TO FOREIGN SCHOOLS

In the event that the Administration's proposed exemption for students enrolled for 120 days or more in educational institutions abroad is not modified to cover participants in four-week summer courses, we urge that provision be made to exempt from the expenditures tax those expenses incurred by summer students for tuition and textbooks and for intra-Europe travel required to reach their foreign school destinations.

A. As presently drafted, the Administration's expenditure tax plan gives no recognition to the fact that certain expenditures by students and teachers are unavoidable prerequisites to their educational goals and thus worthy of exclusion from the tax base. Tuition costs and the expenditures required for textbooks used in foreign study programs clearly fall within this category. These expenses, which would be nominal in the aggregate, but which loom large in the budget

*It is noteworthy that the charter regulations of the Civil Aeronautics Board define a special category of "study group" charters covering groups "comprised of bona fide participants in a formal academic study course abroad and in which (1) the charterer is an educational institution or (2) *such study course is for a period of at least 4 weeks' duration at an educational institution abroad.*" CAB Economic Regulations, § 295.2(m); emphasis added.

of individual high school students, surely do not represent the type of expenditure that is the object of the Administration proposal. They are directly and inextricably tied to educational purposes which have acknowledged value to the United States and, on that basis, should be excluded from the coverage of the proposed tax.

B. In submitting the Administration's proposals, Secretary Fowler stated that the tax on expenditures would not include "the cost of transportation to and from the traveler's foreign destination"—which would instead be subject to the 5 per cent tax on tickets. However, the technical explanation submitted by the Treasury Department makes clear that the cost of travel between any two points outside the Western Hemisphere will be included in computing the expenditures tax unless it is part of an "uninterrupted" journey beginning or ending in the United States. A journey is "uninterrupted" only if the interval between the end of one travel segment and the beginning of the next succeeding segment is not more than 12 hours.

The effect of this provision (perhaps unintended) upon students and teachers will in many cases be harsh. Many students travel by air or ship charter to gateways in England or France and from there to their ultimate places of study in Europe. Unless such students can achieve an interconnection of flights or other transportation within the stipulated 12-hour period, the cost of the second or intra-Europe segment of their journey will be subject to the expenditures tax. For example, students attending the AIFS summer program at the Hebrew University in Jerusalem (see discussion at page 5 above) will first take a chartered flight from New York to Milan, Italy. (This is because the students must share a large jet airplane with other students attending a program in Italy and also because charter flights to Israel are not permitted.) The charter flight is scheduled to arrive in Milan in the evening, and the students will spend the night there, continuing their travel to Israel the next day. Since, however, there will be more than a 12-hour layover in Milan, the $150 per student cost of the Milan-Jerusalem segment is likely to be taxed at the 30 per cent expenditures tax rather than under the 5 per cent ticket tax; i.e., a tax of $45 instead of $7.50.

It is difficult to understand the basis for the 12-hour dividing line that distinguishes "uninterrupted" from "interrupted" transportation under the proposal. Surely the proposal fails to consider that students and teachers typically travel by chartered aircraft or ship (as the most economic means available), and that chartered trips cannot always be scheduled so as to connect successive segments within this rigid interval. The 12-hour limitation fails to permit a reasonable overnight stay for the transatlantic traveler and fails to allow some margin for unavoidable delays due to scheduling difficulties, equipment failure, baggage tie-ups, etc. Of course, this limit also severely penalizes a one-day layover by a student or teacher who understandably might wish to see quickly a foreign city en route to his ultimate destination in Europe.

For these reasons, we urge that there be excluded from the expenditures tax necessary transportation expense incurred by students and teachers in reaching or returning from their places of study abroad, regardless of whether more than 12-hour layover or delay en route occurs.

V. AS AN ALTERNATIVE TO THE FOREGOING SUGGESTIONS, THE MINIMUM DAILY LEVEL OF EXEMPT EXPENDITURE SHOULD BE RAISED TO $15

We recognize that one of the fundamental objectives of the Administration's tax proposal is to provide a relatively simple tax structure, holding to a minimum the number of exceptions and exclusions, and thereby reducing administrative complexities. With this end in mind, we recommend, as an alternative to the foregoing suggestions herein, a single modification in the current proposal which would remove many of the inequities to students and teachers. An increase in the exempt daily expenditure from the $7 figure now proposed to $15 would significantly assist the teachers and students who participate in summer study programs. This change would not alter the arbitrary inclusion of expenses incurred for necessary trips within Europe as described above, or the inclusion of expenses for tuition and for textbooks, but it would enable students to meet those expenses without exceeding the prescribed level of exempt daily expenditures. For the same reason, a $15 per day exemption provision would eliminate the necessity for expanding the present 120-day student exemption to cover four-week summer courses.

CONCLUSION

AIFS and FLL are grateful for this opportunity to present their views to this Committee. We respectfully urge that in the formulation of legislation the interests of American students and teachers pursuing summer educational programs abroad, as well as the national interest in the continuation of such programs, not be ignored.

STATEMENT OF THE INSTITUTE OF INTERNATIONAL EDUCATION

The Institute of International Education is one of the major agencies involved in the administration of educational and cultural exchange programs, among the most important of which is the Fulbright-Hays Program for graduate students which IIE has administered on behalf of the Department of State for more than twenty years.

The Institute is concerned with the proposed legislation for a federal tax on foreign travel, as it is equally concerned with the nation's fiscal problem which this measure seeks to alleviate.

The important role which educational exchange plays in American foreign policy and in the commitment the United States has made to assist in the economic, political and social development of emerging countries is well known. The U.S. Government has for many years supported exchange programs for these purposes and, perhaps no less important, for the purpose of fostering international understanding and equipping American citizens with an appreciation of and a capacity to participate effectively in the many walks of life which have international implications. To an equal and even greater extent, foundations, private organizations and universities are involved in this field.

In his Smithsonian address, as well as in his February 1966 address to Congress, President Johnson urged us to embark on a "new and noble adventure" which included among its purposes one "to advance the exchange of students and teachers who travel and work outside their native lands." We share this objective of the President and we are naturally anxious to protect the important field of educational exchange from erosion.

We recognize that the proposed legislation will not jeopardize exchange programs or impose a burden upon participants in exchange programs of more than 120 days duration.

We are, however, troubled by the implication of this proposed legislation that educational programs of a shorter duration are not equally valid in academic terms. It is an assumption which we do not believe to be tenable. The scholar who goes abroad to do two months of research in a laboratory or library is no less serious in his purpose, and his work is no less significant than is the scholar who spends a year abroad for similar purposes. The professor who gives a summer course at a foreign institution is no less actively and meaningfully engaged in education than his colleague who spends a year at a foreign university. The student who enrolls for a summer semester at a foreign university or participates in a summer academic program abroad sponsored by his own university or who independently spends three months in research in a foreign land is no less actively and seriously engaged in education than his fellow student who has the good fortune to spend a year in such pursuits.

For many students and scholars, the opportunity to study abroad is an important and, sometimes, essential aspect of their academic careers. For many, the opportunity to do so is limited to relatively brief sojourns abroad. Some are free only during the summer. Some, particularly students, have limited resources which do not permit extended stays abroad. Some need only relatively brief sojourns abroad to fulfill their academic objectives.

IIE administers grants for a large number of Americans each year who travel abroad for purely professional and scholarly purposes. Many of these grants are for periods of less than 120 days.

Some may argue that, like tourist travel, professionally-related travel for research or study can be delayed for a year or two without undue inconvenience or loss to the individual. We would dispute this. Travel by scholars and professional people—and students—cannot be judged by the same criteria as tourist travel. The scheduling and success of a research project may well depend on a man's presence abroad at a particular time. The student's maturation and career plans may well dictate the point at which he can most effectively study abroad.

The point we wish to make is that there is no defensible way to distinguish between the educational validity of a study experience abroad of more than 120 days and one which is of shorter duration.

For this fundamental reason, we would hope that this Committee would exempt from the proposed foreign expenditure tax individuals who are enrolled in a full course of study at a foreign educational institution, or are engaged on a full-time basis in educational activities directly related to a course of study leading to a degree that they are undertaking at a U.S. institution. We also would propose exemption for teachers, scholars, professors and educational administrators who are abroad on educational assignments whose relevance to their professional work is attested to by their schools or institutions.

We want to bring the Committee's attention to a special problem related to individuals who serve for short periods on development projects administered by non-profit agencies.

The U.S. is committed to assist the economic and social development of the less developed countries of the world and encourages similar efforts on the part of private, non-profit organizations. Many of these organizations, including IIE, universities and foundations are actively engaged in projects around the world which rely upon the services of American consultants, advisers and teachers who remain abroad for less than 120 days. In the past year, IIE, alone, has spent almost 100 senior persons abroad on short-term assignments to assist in the planning and administration of overseas projects. Some may conduct instructional classes in the brief period they are abroad but most are engaged in working with their foreign counterparts in an advisory capacity to plan, for example, a curriculum in the sciences for high school children in Pakistan, to develop an inter-university program of graduate business administration in the Philippines, or to advise on economic development in Ghana.

To have to pay a sizable tax on the foreign travel and living expenses of men employed as short-term consultants would appreciably increase the cost of employing this important category of assistance for these projects and undoubtedly reduce our ability to employ them. The additional administrative procedures necessitated by the imposition of this tax are very likely to add to the general costs of the project administration. Both increments of cost add non-productive expenses which cut into funds for program purposes.

The issue is made more complex by the fact that organizations such as IIE and universities frequently conduct overseas projects as contractors to such government agencies as AID and there seems to be an anomaly in imposing a tax on consultants who are retained on behalf of and, indeed, are being paid out of government funds.

We suggest, therefore, that under any circumstances, consultants, advisers, teachers, and others serving on development projects administered by non-profit agencies, who are abroad for less than 120 days be exempt from the proposed foreign expenditures tax and the transportation tax.

The objectives which this proposed legislation seeks to achieve are, we know, shared by all citizens. The exemptions we propose will not, we believe, seriously impair our efforts to achieve these objectives and will at the same time spare from undue burden an essential aspect of our national life and of our relations with other countries.

COLLEGE ART ASSOCIATION OF AMERICA, MARVIN EISENBERG, PRESIDENT

RESOLUTION

At the annual meeting of the College Art Association of America held in St. Louis on Januray 26, 1968, the following resolution was passed:

"We wish to express our profound dismay at the announcement of proposed restrictive measures which would limit the possibility of travel by individual citizens outside the Western Hemisphere. The nature of our profession requires us constantly to visit other countries, if we are properly to know and understand original works of art and if we are to make known to others our own discoveries in pursuit of historical truth. Our culture is surely one of the strongest and most creative defenses in these difficult times against the forces opposed to basic principles of our way of life, but American culture cannot continue to be worthy of our ideals unless as scholars and artists we can communicate freely with colleagues throughout the world. Our belief that dis-

interested study and research is not only necessary for the life of the mind but essential for the spiritual health of the nation leads us to speak out against restrictions which could seriously compromise the freedom of intellectual inquiry in colleges and universities, for those who learn as well as those who teach. Most essentially, the proposed impediments to individual movement are in strong conflict with basic human rights of free action and communication."

STATEMENT OF ASSOCIATION INTERNATIONALE DES ETUDIANTS EN SCIENCES ECONOMIQUES ET COMMERCIALES

COMMENTS ON THE DETRIMENTAL EFFECT OF THE ADMINISTRATION'S BALANCE OF PAYMENTS PROPOSALS (ON TRAVEL TAXES)

AIESEC–US is one of forty-one member countries of AIESEC (Association Internationale des Etudiants en Sciences Economiques et Commerciales—International Association of Students in Business and Economics) with eighty-five local committees at universities in the United States. AIESEC is the only independent organization that sponsors university-level training in business and economics internationally. The gap between American education and practical experience is recognized by the educational and business communities from which AIESEC receives its support. The AIESEC program is recognized for its educational value in helping to train students in this field; trainees have an educational tax status and AIESEC is special exchange visitor program with visa-granting authority for the foreign students coming to the U.S. AIESEC is on Consultative B Status with UNESCO.

AIESEC is a reciprocal exchange program, entirely student-run, non-political, and non-profit. In 1967, we enabled almost 700 American students to go abroad for educational traineeship experience during their summer vacations and correspondingly were able to place 700 foreign students in traineeship positions with American companies.

The AIESEC trainee internationally pays his own transportation cost and earns a living stipend during his traineeship period which lasts a minimum of eight weeks and often from ten to twelve weeks. Because our students pay their own travel costs and forfeit American wages to receive international training experience in their fields of study, the National Committee of AIESEC–US strongly opposes two aspects of the Administration's travel tax proposals:

One: The 120 day period for a student to be eligible for non-taxable trip classification. AIESEC students are normally on traineeships abroad for 60 to 90 days, because of their American university schedules.

Two: The inclusion of foreign "earnings" in the amount subject to a foreign expenditure tax. American AIESEC trainees are paid a stipend by foreign companies which covers their room and board and miscellaneous expenses abroad. Since their traineeships take place in one geographical location, they have little time or funds for tourist-type travel. American students who take AIESEC traineeships are seriously preparing themselves for careers in international service; many would be hindered from the traineeship experience if subjected to additional costs such as the foreign expenditure tax, because they expect their foreign "stipend" to cover their costs of living abroad.

Amendment and clarification of points One and Two respectively by the House Ways and Means Committee seem necessary if AIESEC is to maintain the present level of its program for international traineeship experience in business and economics. If American students are discouraged from foreign travel, their foreign student counterparts will be hindered from traineeship experiences in the United States, because of the reciprocity of AIESEC operations.

STATEMENT OF ARTHUR HOWE, JR., PRESIDENT, AMERICAN FIELD SERVICE INTERNATIONAL SCHOLARSHIPS

The American Field Service International Scholarship Programs wish to record strong opposition to the Administration's travel tax and expenditure tax proposals as they apply to AFS. Implementation of these two taxes without exemption for AFS would represent a drastic reversal of longstanding governmental policy to aid and encourage the AFS in the development of its programs

which now annually involve 3100 students from 60 foreign countries coming to the U.S.A., and 1400 U.S. students going overseas. For most of these young people their AFS activity becomes the most meaningful educational experience of their lives. The 3000 local Chapters of AFS throughout the U.S.A., and its equally large number of volunteer committees throughout its overseas operations would regard these taxes as a betrayal of the encouragement received from the U.S. Government over the past twenty years, in the course of which approximately 43,000 students have participated in AFS. The burden of these taxes would seriously impair the AFS programs and narrow the breadth of participation in them.

Impact on private agencies

Properly organized cultural exchange programs are vitally significant to the national interest, and, because of political sensitivities, unusually dependent upon the support of nonprofit institutions backed by private citizens. The entire relationship between voluntary agencies and the government is threatened by the Administration's failure to provide adequate exemption for these agencies.

Impact on balance of payments

The American Field Service Programs bring as many dollars into the U.S.A. as they send out. To impose the travel and expenditure taxes on the AFS in order to improve the balance of payments would be an unreasonable action. A high proportion of the hundreds of thousands of families, students and schools that have been deeply involved in the organization's activities both here and abroad would find themselves in profound disagreement with the government's action.

AMERICAN FIELD SERVICE,
INTERNATIONAL SCHOLARSHIPS,
Bakersfield, Calif., February 25, 1968.

Hon. WILBUR A. MILLS,
Chairman, Committee on Ways and Means,
Longworth House Office Building,
Washington, D.C.

DEAR MR. MILLS: The members of the Board of Bakersfield Chapter, American Field Service International Scholarships, are very much concerned about the Administrations proposed tax on all overseas travel.

We are particularly concerned with the adverse effect such a tax will have on the AFS Programs. It would, at best, seriously impair these programs and could possibly destroy them by making the costs prohibitive. Our funds are limited in that they are obtained by donations from private individuals and business firms.

The AFS Programs have long been encouraged by Government Policy and have been praised by our Presidents as well as by many of our State Department Officials, as being among if not the most productive of all the programs creating International goodwill among the peoples of the World.

We, therefore, earnestly urge that, should such a tax law be even considered, let alone passed, all Student, Exchange, and Educator Programs be held exempt from all tax or restrictions under such considered legislation.

BEN W. KELLNER, *President.*

AMERICAN COUNCIL OF LEARNED SOCIETIES,
New York, N.Y., March 6, 1968.

Hon. WILBUR D. MILLS,
Chairman, Ways and Means Committee,
U.S. House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN MILLS: I write as President of the American Council of Learned Societies, a federation of thirty-three national scholarly associations in the humanities that have a total of 150,000 members, to express the concern of the scholarly community over the current proposals for restricting travel outside the Western Hemisphere, including those brought before your Committee on February 5, 1968 by the Secretary of the Treasury.

While we appreciate fully the balance of payments problems we cannot believe that it will best serve the national interest to curtail or, in some instances, to make impossible, by the imposition of the proposed taxes, foreign travel by scholars whose legitimate research interests require them to go abroad. I therefore strongly urge that travel for scholarly purposes—whatever its duration—be exempt from the proposed expenditure tax.

The exemption already provided in the pending proposals for long-term (over 120 days) foreign travel of scholars is a welcome one, and much appreicated. But the nature of the academic year is such that research scholars often must travel within the summer months. Much of the research thus conducted is clearly in the national interest and is not infrequently prompted by the needs of the Federal government and supported by Federal funds.

In view of Secretary Fowler's testimony that student and scholarly foreign travel comprises about five percent of the total American travel at which the proposed measures are directed, it appears that only an insignificant outflow of dollars would result from short-term scholarly travel. The damage to scholarly research that would be caused by the imposition of expenditure taxes upon short-term scholarly travel does not seem to us warranted by the minor alleviation of the balance of payments problem that could be expected.

I hope that the views expressed here can be included in the record that the Ways and Means Committee is compiling.

Yours sincerely,

FREDERICK BURKHARDT, *President.*

AMERICAN ASSOCIATION OF UNIVERSITY WOMEN,
Washington, D.C., February 27, 1968.

Hon. WILBUR D. MILLS,
House of Representatives,
House Office Building, Washington, D.C.

DEAR MR. MILLS: The Board of the American Association of University Women at its meeting on February 24–25, 1968, approved the following statement which it wishes to bring to your attention.

We would regret it deeply if the government finds it essential, because of the balance of payments crisis, to tax expenditures on overseas travel as we feel it strikes at our long established principles of encouraging free movement of people and of developing international understanding through face to face contacts. We also fear that restrictions on trade, investment and travel may have serious repercussions on those we have hoped to help abroad and also lead to a spiral of retaliatory action.

If, however, the tax on personal expenditures abroad is established, we strongly urge reconsideration and extension of the exemptions so that they are related to the purpose of the trip and not to the length of time spent abroad. Purposes justifying exemptions should include student experience abroad related to their education, faculty research, professional enrichment and attendance at duly attested conferences. In all cases the provisions should make allowance for the 14 day leeway already provided in the proposed measures. This statement, proposed by the AAUW Legislative Program Committee at its meeting on February 23, 1968, has been endorsed by a motion in the IFUW–AAUW[1] Liaison Committee meeting on the same date, and by the AAUW Board of Directors on February 25, 1968.

BOARD OF DIRECTORS.

[1] IFUW—International Federation of University Women.

THE AMERICAN POLITICAL SCIENCE ASSOCIATION,
Washington, D.C., February 2, 1968.

Chairman WILBUR D. MILLS,
U.S. House of Representatives,
Washington, D.C.

DEAR CHAIRMAN MILLS: I want to call your attention to the hardship imposed upon students, teachers and scholars by the Administration's proposed tax actions on travel to Europe.

Many students, teachers and scholars use the summer for study in Europe, for research, or for both combined with teaching. They either finance their own travel or finance it in part through fellowships and scholarships. Any increase in cost certainly will impose a hardship and work directly in opposition to our long established policy of encouraging study and research abroad.

In addition, the proposed tax actions discriminate against all students, teachers, and scholars whose work requires travel outside the western hemisphere. Those whose work takes them to Latin America are not penalized but they contribute no less to a balance of payments deficit.

Finally, the proposed taxes discriminate against those students, teachers, and scholars who are least well off. The tax is regressive; it hurts the poor, the younger and less well paid; it hardly affects the wealthy, established and highly paid. The proposed tax on expenditures in Europe is especially hard on students, teachers and scholars who need to be in Europe for the whole three months of the summer. Many feel this will prohibit their going.

We have many calls at our office protesting the proposed tax, calling attention to its unfortunate features, and pointing out how very harmful the present uncertainty is for those who must make plans now. For example, many people have already made plans, made ship reservations, and paid deposits that cannot be refunded; if unable to go, they suffer a real loss.

I do hope that you will take the above matters into consideration in making up your mind about the proposed taxes.

With best wishes,

Cordially,

EVRON M. KIRKPATRICK,
Executive Director.

THE CALIFORNIA STATE COLLEGES,
OFFICE OF THE CHANCELLOR,
Los Angeles, Calif., February 16, 1968.

HON. CECIL KING,
Member of Congress,
Washington, D.C.

MY DEAR CONGRESSMAN KING: I enclose herewith a statement relative to restrictions on overseas travel which I hope you will pass on to Honorable Wilbur Mills and have *made a part of the record of the hearings on the proposals.*

Your cooperation and assistance are greatly appreciated.

With best wishes, and warmest personal regards,

Sincerely,

WALTER P. COOMBS,
Director, International Affairs.

STATEMENT OF MR. WALTER P. COOMBS, DIRECTOR, INTERNATIONAL AFFAIRS, CALIFORNIA STATE COLLEGES

We wish to bring to your attention the views of the California State Colleges on the proposed overseas travel restrictions.

The California State Colleges operate ten overseas study centers in seven foreign countries providing an unequalled opportunity for a selected group of superior students to pursue studies in specialized institutions abroad.

The value of these programs to our country is unquestioned. Specialists are trained in languages such as Chinese, Japanese, French, Spanish and German. Many of these will teach foreign languages in our public schools. Students pursue courses not generally available on their home campuses in important technical fields.

A tax on the students and faculty would make much more difficult student and faculty participation in these programs. Students attending California State Colleges are frequently from low and middle income families. The majority of our participants require loans to finance their study. By making that study more burdensome, it is less likely they would participate in the program. It would be unfortunate if overseas study would be limited to those students from families in the higher income brackets.

We respectfully request that an exemption from proposed taxes be granted to students and teachers and administrative personnel and their dependents for the full period of their time abroad. To do otherwise would jeopardize existing

programs, would make it difficult for disadvantaged to participate, and would seriously affect the training of scholars, especially in language and technical fields.

WAYNE STATE UNIVERSITY,
COLLEGE OF LIBERAL ARTS,
DEPARTMENT OF ECONOMICS,
Detroit, Mich., February 20, 1968.

Representative WILBUR M. MILLS,
Chairman, House Ways and Means Committee,
U.S. House of Representatives,
Washington, D.C.

DEAR SIR: The Administration's proposal to curb travel outside the Western Hemisphere is bound to be the subject of much debate. I enclose a short formal comment on one aspect of the proposal.

However, I believe that the proposal or some very similar measure should be passed by the Congress. The nation's balance of payments must be shown capable of being brought under control. I believe that travel is a good area to tax and has many significant advantages over increases in tariffs and other alternatives. My own assessment of the proposal is that the tax rate is not high enough, the duration too short and the *modus operandi* is too complex. This last comment does not express disagreement with the goal of progressivity, merely a lack of faith in the effectiveness of the system and the fear of too high a cost in making the system work.

While considering economic policy, may I draw to your attention the dangers inherent in the failure to pass some increase in the level of domestic taxation. Inflationary pressures do exist and are likely to continue to exist for some time. If curbs on foreign investment and on foreign travel are imposed, these measures are likely to divert even greater pressures on to the domestic economy and thereby to add fuel to the fire.

Finally let me say I am in favor of the limitations on foreign investment by American companies and individuals and that I believe this aspect to be crucial to the success of the reduction of the deficit.

Your sincerely,

H. PETER GRAY,
Professor of Economics.

SOME THOUGHTS ON ONE ASPECT OF THE ADMINISTRATION'S PROPOSAL TO CURB AMERICAN TRAVEL DEBITS

The proposals of the Administration to curb the travel deficit of the United States introduce an overt departure from the traditional American policy of non-discrimination among friendly nations in international trade. The present departure from tradition may be considered less serious because it concerns "only" trade in services rather than in commodities but this distinction is not a meaningful one. In fact, there are two elements of discrimination—one is overt and the second less obvious.

The first discrimination is that the proposals would apply the ticket and expenditure taxes only to journeys outside the western hemisphere. This discrimination can be justified on two grounds: practicality of administration of the tax and the lower loss rates per dollar of expenditure resulting from travel expenditures in western hemisphere countries. Foreign exchange control or supervision would be virtually impossible across the two great land borders between the United States and her neighbors. Equally, the Caribbean islands are so dependent upon American tourists that to impose a tax on these resorts would be completely ruinous to many island economies and certainly to many individual enterprises. Further, the ratio of gold loss to travel dollar is significantly less in western hemisphere countries than in other areas. This result stems largely from the trade patterns of the western hemisphere nations and on their traditional economic ties with the United States.

The second discrimination which is less easily justified, is possibly unintentional but is, nonetheless, one of the less attractive features of the set of proposals. The source of the second discrimination is the requirement that the expenditure tax rate rather than the ticket tax rate apply to transportation expenditures between points outside the western hemisphere. The discrimination inherent in this proposal can best be illustrated with an example.

For convenience, assume that the applicable marginal tax rate on expenditures is 30 percent and the tax rate on tickets is 5 percent. The proposal requires that on the outward journey the expenditure tax applies to all travel beyond the first stopover of greater than 12 hours duration and that on the return journey, the ticket tax rate rather than the expenditure tax rate applies only on that part of the journey after the last stopover in excess of 12 hours duration. Thus, a traveler from New York to Rome would pay only 5 percent on transportation costs if he flew and returned directly from Rome. If, on the other hand, the traveler stopped off in London for more than twelve hours on the way out and in Paris for more than twelve hours on the way back, then the traveler would pay 30 percent on the London-Rome-Paris journey and only 5 percent on the rest. The reason underlying this procedure is not clear but it would seem to have little deterrent effect on total American travel debits although it may well reduce the volume of multi-stop tours. The proposal does tend to raise the rate of taxation on travel expenditures but raises the tax rate discriminatorily and without apparent reason. Finally, this aspect of the proposals seems bound to penalize business trips which are multi-stop by nature, more heavily than tourism proper. However, this problem is not the truly discriminatory aspect of the proposals. The discrimination lies in the fact that there are certain countries in the world which cannot conveniently be reached without either significant discomfort or a protracted stopover *en route*. These areas may be said to comprise Asia west of Tokyo (unless the traveler makes a stopover in Anchorage or Honolulu) or east of Israel, Australia west of Sydney, all of Africa, and Eastern Europe. Some of these nations are attempting to build up their tourist industries as a source of dollar and hard currency earnings (e.g., Thailand, India, Kenya, Tansania, Uganda, Ethiopia) and this active discrimination against them should be avoided if possible.

Fortunately, the purpose of this measure (to raise the effective rate of tax) can still be accommodated and the discriminatory aspects of the proposal removed by a relatively simple change. If the stopover time is extended to 36 hours and no limit placed on the number of stopovers, the intent will be preserved and the undesirable aspects of the differential in tax rates will be eliminated.

For cruise travel the original proposal is extremely severe. Since the proposals are designed to be extremely progressive, this severe treatment of cruises is quite possibly intentional. Certainly the maritime aspect of the rate differential can be kept in its original form if so desired by a simple piece of writing and the unlimited and longer stopever allowance confined strictly to air travel.

UNIVERSITY OF MINNESOTA,
COLLEGE OF EDUCATION,
DEPARTMENT OF ART EDUCATION,
Minneapolis, Minn., February 8, 1968.

Mr. JOHN M. MARTIN, Jr.,
Chief Counsel, Committee on Ways and Means,
Longworth House Office Building,
Washington, D.C.

DEAR MR. MARTIN: I am writing in protest to President Johnson's formula for balancing the balance of payments deficit by the proposed tax on travel abroad. If such a tax is placed on U.S. travelers to countries outside the Western Hemisphere, the less affluent will be hurt the most. Wealthy Americans could afford the extra cost, but those who have saved for many years for a trip to Europe or for a long anticipated visit to the land of their birth and to be reunited with relatives may be unable to do so. Students and educators likewise would be affected. Most of them must travel on extremely limited funds. Certainly no group of Americans can do more to improve international understanding by their people-to-people contact than our students. Even a tax as seemingly small as a 5% on ship and air fares can mean the curtailment of the successful international student exchange program.

As an educator and as a person who is separated from family members residing in Europe I protest most vehemently this travel tax plan to stem the outflow of gold and dollars.

Respectfully yours,

GEORGE K. OLSON,
Assistant Professor.

THE UNIVERSITY OF CONNECTICUT,
SCHOOL OF LAW,
February 28, 1968.

HON. WILBUR MILLS,
Chairman, House Ways and Means Committee,
Longworth House Office Building,
Washington, D.C.

DEAR MR. MILLS: On February 22 the New York Times published the enclosed letter to the editor which I forwarded to them.

I am sending you this copy with the thought that you may see fit to add it to the public testimony being given before your Committee in connection with the proposed foreign travel tax.

Very truly yours,

ROBERT WHITMAN,
Associate Professor of Law.

[From the New York Times, Feb. 22, 1968]

REDTAPE IN TRAVEL TAX

THE UNIVERSITY OF CONNECTICUT LAW SCHOOL,
West Hartford, February 14, 1968.

To the Editor:

The Administration's proposals for taxing overseas travel highlight the lack of attention our drafters of legislation can pay to the practical problem of involving taxpayers in a mountain of red tape, establishing an administrative nightmare for enforcing the collection of our taxes and encouraging tax evasion.

The Treasury has asked for both a flat excise tax on overseas transportation and a graduated tax on daily expenditures abroad.

The procedure which it envisions to implement the collection of the latter tax requires the overseas traveler to estimate at the time of his departure the amount of money he is likely to spend abroad. He must then pay a tax based on this estimate on his departure and file a statement of the amount of money he plans to take with him.

Upon returning, another statement must be filed to indicate the money brought back to this country. Then, within sixty days, a summary statement—a formal tax return—must be submitted.

Undoubtedly, it will be the paper work, rather than the tax, that will discourage travel abroad. If, in spite of all this, an overseas trip is taken, the temptation to the taxpayer to attempt to evade the tax appears formidable in view of the obvious difficulties which will arise in auditing returns. If a tax on overseas travel makes any sense, a tax which is more realistic from the standpoint of implementation is called for.

ROBERT WHITMAN,
Associate Professor.

PEOPLE-TO-PEOPLE,
Washington, D.C.

HON. WILBUR MILLS,
House of Representatives,
Washington, D.C.

DEAR SIR: This memorandum is presented in behalf of the People-to-People organization as it is involved in travel activities through its various committees. It should be emphasized at the outlet that People-to-People is a private, non-governmental, non-profit organization. It is financed solely by funds from the private sector in the form of contributions from foundations, corporations, individuals and from membership dues and nominal fees for services rendered.

The movement was launched by President Eisenhower in 1956 and for the first five years of its activity was given administrative guidance and support by the United States Information Agency. In 1961 it became a private corporation with a Board of Trustees composed of nearly one hundred distinguished American citizens. General Dwight Eisenhower served as Chairman of the Board until a year ago. He continues as Chairman Emeritus and maintains a keen interest in the total operation. The present honorary chairman is President Lyndon B. Johnson. The Honorable George V. Allen now serves as Chairman of the Board of Trustees, having assumed the position at General Eisenhower's request. The

Board of Trustees, through its Executive Committee, directly sponsors a number of activities involving private citizens in international relations on a person-to-person basis at the community level. This program of personal diplomacy is administered through the National Headquarters in Kansas City.

The scope of People-to-People is very broad as evidenced by committees representing the following groups: Health (S.S. "Hope"), Handicapped, Engineers and Scientists, Sports, Hotels, Music and Sister City Affiliations. In addition, important activities are carried on under the Travel Program, Community Chapter programs, School and Classroom matching service, Letter Writing, etc.

Under the aegis of People-to-People, more than 300 American towns and cities have been linked in Sister City relationships with counter-part cities overseas. In addition, over 100 Community Chapters have been organized across the country to carry out programs involving international person-to-person contact with foreign nationals at the local level.

One of the most dynamic specialized Committees of the People-to-People movement is the People-to-People Sports Committee which has provided sports equipment for groups in developing countries and has arranged exchanges of sports groups between the U.S.A. and countries overseas.

It is clear that the implementation of the People-to-People concept is based on the assumption that citizens of different nations will be able to move freely across international boundaries. Current travel legislation under consideration threatens this free movement of persons and thus endangers the effectiveness of the People-to-People program which is essential to the development of international understanding. If we are to have an effective program we must be a two-way street, travel to and from the United States.

It is our view that efforts should be accelerated to increase personal contacts between U.S.A. citizens and overseas nationals. Current discussions regarding proposed legislation to restrict travel activities of people concerned with establishing effective inter-cultural personal relationships have already tended to discourage the continuation of such activity. This is the greatest handicap we have faced since the formation of People-to-People, Inc. in 1956.

It should be emphasized that People-to-People actively promotes visits of foreign nationals, individually and in groups, to U.S.A. communities. Through the years a growing number of persons have traveled from foreign cities to visit counter-part cities in the U.S.A. It is estimated that in 1967 the People-to-People Sister City Committee was responsible for approximately 13,000 visitations between 330 American cities with their counterparts abroad. Under this program, equal emphasis is placed on travel in each direction. Under the auspices of the People-to-People Sports Committee, foreign nationals in athletic groups, visited counterpart teams in the U.S.A. during 1967.

People-to-People Community Chapters in 52 cities were involved in providing over 2200 homestays for nearly 900 Europeans during 1967. In 1968 it is expected that the chapter groups will welcome over 2000 Europeans in their communities. Steps are now being taken to accelerate the influx of Latin American, African and Asiatic visitors to U.S.A. communities.

President Lyndon B. Johnson commenting on the Tenth Anniversary of People-to-People said:

"In only a decade of devoted efforts you have joined the hands and hearts of millions of Americans with their fellow men around the world, I share your faith that these abounding friendships will help in the coming decades, as in the past, to create the universal alliance for brotherhood which is the prayer of all free men."

The future of People-to-People, Inc. is in the hands of the U.S. Congress. We appeal to you and respectfully request that we not be penalized by this legislation but rather be encouraged to further our aims—international peace.

Sincerely,

MRS. C. E. SWANSON,
Chairman, Executive Committee Board of Trustees.

STATEMENT OF RUTH R. PUKAPLE, PROJECTS CONSULTANT, NATIONAL STUDENT YWCA

The National Student YWCA supports the proposal of the Council on International Educational Exchange, to which we belong and with which we have

been cooperating in testing the effect possible travel taxes would have on students.

Further, we reaffirm the importance of American students going abroad as important in developing international understanding and good will. Important as the fiscal problems of the United States may be, it is important not to sow the seeds of even more serious problems for the future. Ignorance on the part of American citizens of the problems and viewpoints of other peoples, and false concepts about the United States could prove very costly to this country.

There are five aspects of the proposed legislation which we feel are especially serious, and which *at the minimum* we urge be changed.

1. Treat nonprofit agencies the same as academic institutions

First, we would petition that the programs of nonprofit agencies receive the same consideration as those of academic institutions, so long as they maintain similar standards of performance and excellence. For instance, in 1967 the YWCA sponsored a Seminar in India which was directed by Dr. Huston Smith of the Massachusetts Institute of Technology. In 1968 we will have a project in the United Kingdom with one of the professors from the London School of Economics directing the seminars. Although these are not designed essentially as academic programs, they include serious study and discussion and real encounter with the people and culture of the countries, so merit the same consideration as more formal course oriented projects.

2. Remove the 120 days requirement

A corollary of the above is the unfairness of the 120 day requirement for a program to be tax-exempt. Many students are taking courses in America universities where the sequence requires them to remain in college for four consecutive years, but they are able to supplement this with summer programs overseas. Once they graduate they will be tied-down with responsibilities, so that the only time for them to go abroad and personally experience the impact of other cultures is during the summer breaks while they are in school. They should not be penalized just because they cannot be gone for the magic 120 days. We would urge exempting any program on the basis of its quality, rather than on the basis of duration.

3. All international travel should be taxed as transportation not expenditure

We strongly recommend that the transportation tax of 5% be levied on all international travel purchased prior to departure from the United States, rather than on-going travel taxed as an expenditure. Groups going to Asia and Africa especially, but also those going into Eastern Europe, physically, psychological and educationally need a break rather than continuing directly from the U.S.A., to these more distant places. For instance, our seminar going to India stopped for a couple of days in Athens to rest-up before being thrust into the very extensive program designed for them in India, thus also providing an opportunity for the group to get acquainted with each other, and to establish their own group rapport. For those who had never been out of the United States before, it gave them a slight experience of an in-between culture, so that they would not judge India solely in terms of the U.S.A. Were the tax on on-going travel to be levied on the basis of "expenditure" rather than "travel", this would virtually eliminate such stops. However, it would not mean a dollar savings for the United States, but would radically weaken the program.

4. Tax-free base raised to $10 per day

We recommend that the tax-free base in figuring expenditure taxes be raised to $10 per day. Room and board in the so-called poorer nations can be obtained for less than $10 per day. However, our programs in Japan and Finland could not have been financed on less than $10 per person per day. The educational value of the program would be threatened were students not able to attend concerts, special events reflecting the culture of the people, etc. Although it is not possible to include much on $10 per day, with such an allowance by careful budgeting some important events could be included, and the tax burden would not become prohibitive.

5. Overseas administration not taxed

We strongly petition that the cost of progamming overseas projects not be taxed on the 30% basis, as implied by the advanced information. For instance, when the YWCA of the U.S.A. arranges a project in a foreign country, we transfer small funds, a few hundred dollars, to the YWCA of the country asking them

to make preliminary arrangements, and help set-up the program. This makes possible a richer and better program than if we attempted to work out the details from the United States. We will pay a small amount to the Professor from the London School of Economics, whose leadership will greatly enrich the program. Such payments by tax-exempt agencies should not be taxed. The dollar flow is minimal and the programs abroad much better by virtue of this type of cooperation with agencies abroad. However, they cannot be expected to perform such services without remuneration.

Finally, we of the National Student YWCA are not seeking special privileges. Rather we know that we are more-or-less typical of other similar agencies, and we have cited examples out of our own experience to explain our basic principles.

We trust that the Committee will take into consideration these very important concerns.

VETERANS OF FOREIGN WARS
OF THE UNITED STATES,
Washington, D.C., March 6, 1968.

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

MY DEAR MR. CHAIRMAN: This is in reference to your hearings on the Administration's balance-of-payments proposals.

The Veterans of Foreign Wars is deeply concerned that the request of the President to forgo non-essential travel with the recommended tax on travel expenditures will cause much hardship on the dependents of those veterans who are buried overseas.

In anticipation of the Administration proposals, our National Commander-in-Chief, Joseph A. Scerra, wrote a letter to the President expressing our views respecting this part of the Administration proposal. A copy of that letter is enclosed.

In the event your Committee should approve the Administration recommendation concerning a tax on travel expenditures, it would be deeply appreciated if the exemptions were broadened to exclude Gold Star Mothers and other dependents who may, on occasion, visit the graves of their sons who were killed or died on foreign soil while serving in the Armed Forces of the United States and are buried overseas.

With all best wishes, I am,
Sincerely,

FRANCIS W. STOVER,
Director, National Legislative Service.

VETERANS OF FOREIGN WARS OF THE UNITED STATES,
Washington, D.C., January 16, 1968.

The PRESIDENT,
The White Howse,
Washington, D.C.

DEAR MR. PRESIDENT: The purpose of this letter is to inform you concerning the need for exemption of certain United States citizens from overseas travel restrictions which, according to the press, are being contemplated by the United States government.

I am referring, Mr. President, to those who travel overseas to visit the graves of U.S. servicemen who have given their lives for our country. Such travel is, in a real sense, a reverent pilgrimage of remembrance. One who makes this sacred journey is usually the surviving widow, child, parent, or a close relative of the U.S. fighting men who died abroad to save our nation at home and who is buried in the hallowed ground of a U.S. cemetery overseas.

When a Gold Star Mother, or any other surviving loved-one makes that sad, but spiritually necessary, trip to a military graveside overseas, the trip is usually made possible only through the savings accumulated little-by-little over a long period of time.

Thus, one who makes this sacred journey in order to kneel at the grave of a fallen hero can hardly be classified as a member of the "international jet set" who travels for fun.

We of the V.F.W. believe that no financial penalty should be imposed on the next of kin or loved-one to visit a military graveside overseas. To impose any form of added tax or restriction on such a sacred pilgrimage would, in effect, amount to penalizing those whose journey helps keep our nation's solemn pledge that those who died in battle for us will not be forgotten.

Therefore, Mr. President, on behalf of the 1,400,000 members of the Veterans of Foreign Wars of the United States, and all of those who mourn for one lost in combat and buried in a foreign field, I respectfully urge that no financial impediment or restriction in any form be imposed upon those who travel overseas to the military graveside of a loved-one or a relative.

Respectfully,

JOSEPH A. SCERRA,
Commander in Chief.

AMERICAN ACADEMY OF RELIGION,
WILSON COLLEGE,
Chambersburg, Pa., February 20, 1968.

Hon. WILBUR DEAN MILLS,
House Ways and Means Committee,
House Office Building,
Washington, D.C.

DEAR SIR: This letter is written out of intense concern about the proposed travel tax that is now before your committee.

I am one of a large number of religion scholars concerned with the religious complex of Asia. A significant portion of our scholarship requires our presence from time to time on the field. Also we find it very important to send our advanced students for brief visits in order to acquire firsthand knowledge of their subject matter, much of which will be of service to the nation in the future.

The proposed tax would make it very difficult for us to carry on our work, and I am writing to urge you to use whatever influence you have to defeat this legislation, or at least make the necessary exceptions for those of us whom Asian travel is not tourism.

Faithfully yours,

HARRY M. BUCK,
Treasurer.

CATHOLIC TRAVEL OFFICE,
Washington, D.C., February 16, 1968.

Hon. WILBUR D. MILLS,
Chairman, House Committee on Ways and Means,
Longworth House Office Building,
Washington, D.C.

DEAR MR. CHAIRMAN: Would you please be kind enough to note the enclosed tear sheet—this open letter to the President of the United States and the members of Congress appeared on Page 14 of the January 18th issue of the Catholic Standard, the January 15th issue of the Washington Post and other newspapers throughout the United States. [Material is in the committee files.]

We strongly oppose the suggestions by the Treasury Department which will cost more to put into effect than would be realized by Secretary Fowler's proposals. May we respectfully suggest the following:

(*a*) 5% Transportation Tax on all International Tickets issued in the U.S.

(*b*) Eliminate all duty free allowance, making all overseas purchases taxable at current rates.

(*c*) Reintroduce the $10.00 head tax for all travelers entering the U.S.

(*d*) Make counterpart funds available so that travel agents and operators may purchase vouchers from the U.S. Treasury in United States dollars, for equivalent currency on whatever countries where funds are available. This should enable the U.S. Treasury to use up the One Billion Dollars in counterpart funds that have been sitting idle for the past twenty or so years.

Thank you.

Sincerely yours,

JOHN G. HODGSON, K.H.S.,
President.

GENERAL CONFERENCE OF SEVENTH-DAY ADVENTISTS,
Takoma Park, Washington, D.C., March 5, 1968.

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

DEAR SIR: It has been brought to the attention of this organization that the House Ways and Means Committee is giving consideration to legislation which proposes to impose a tax on fares for U.S. residents traveling abroad, a tax on spending outside the Western Hemisphere, and to adjust certain privileges with respect to customs duties. We understand that the purpose of this proposed legislation is to assist in correcting the United States' balance of payments situation.

The proposal makes provision for exemption from tax on spending outside the Western Hemisphere for students, and business and professional people and others under certain conditions.

The world headquarters of the Seventh-day Adventist church organization is located in Washington, D.C. In order to guide the affairs of the church on a unified world-wide basis, and to sponsor its sound development, and to supervise its religious, charitable, philanthropic, and missionary activities, considerable overseas travel on the part of our church officials is both desirable and necessary. Such travel is not for pleasure nor profit. It is limited to such comparatively short periods of time as are appropriate to the needs, usually less than 120 days.

We respectfully request that should your Committee find it desirable to recommend the passage of legislation along the lines suggested, specific provision be made to exempt church officials traveling abroad on official business of the church from the following proposals:

(1) From tax on overseas travel whether by ship, land, or air.
(2) From tax on authorized reimburseable spendings abroad.

We believe this request is reasonable and justified, and shall appreciate your favorable decision.

Yours sincerely,

W. L. PASCOE, *Assistant Treasurer.*

NATIONAL COUNCIL OF THE CHURCHES OF CHRIST IN THE U.S.A.,
DIVISION OF OVERSEAS MINISTRIES,
New York, N.Y., February 29, 1968.

Mr. JOHN M. MARTIN, Jr.,
Chief Counsel, Longworth House Office Building,
Washington, D.C.

DEAR MR. MARTIN: I am writing concerning the hearings by the House Ways and Means Committee in regard to taxes on foreign travel.

In its recent meeting at San Diego, on February 21, the General Board of the National Council of the Churches of Christ in the U.S.A. considered the proposals being made by the U.S. Treasury. In the debate on this matter the following points were made:

1. There are clear and important values in maintaining the highest level of personal exchange among peoples and societies.
2. The international programs of the churches in ecumenical fellowship, mission and service require extensive international travel by a great many Christians, which these measures would hamper.
3. There is substantial difference of expert opinion about the relative importance of maintaining a favorable balance of trade in comparison with other economic goals. There appear to be other and less negative ways of dealing with the balance of payments problem.
4. The taxes proposed appear likely to have a regressive effect and to be very difficult of equitable enforcement.

In light of this discussion the General Board adopted by unanimous vote the following Resolution:

Resolved that international travel be encouraged and increased rather than subjected to economic restrictions. It provides major opportunities for cultural and personal exchange that contribute to understanding and peace among nations, and it is essential to expression of Christian fellowship, mission and service.

The problem of balance of payments should be dealt with by other means. Among these are the encouragement of travel here by citizens of other countries,

more effective economy in military expenditures overseas, appropriate measures of monetary reform, and the fostering of an enlarged and healthier international trading economy.

I would therefore urge that the House Committee report unfavorably on the present Treasury proposals for limiting foreign travel and expenditure.

Faithfully,

DAVID M. STOWE,
Associate General Secretary
for Overseas Ministries.

SYNAGOGUE COUNCIL OF AMERICA,
New York, N.Y., February 23, 1968.

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

DEAR MR. CHAIRMAN: We have following with great interest the proposals of the Administration to impose certain restrictions on travel abroad because of our country's unfavorable balance of payments situation.

President Johnson and Secretary Fowler have indicated that a number of exceptions are to be made to these suggested restrictions.

The Synagogue Council of America, as the national coordinating agency for the three branches of American Jewry with which are affiliated over four million Jews, has a special concern in the proposed legislation insofar as it would affect pilgrimages of a religious nature.

It is our considered judgment, which we trust you will share, that individuals of all faiths traveling abroad on religious pilgrimages to religious shrines and Holy Places should not be prevented from doing so by the provisions of the newly-proposed legislation. We would urge, therefore, that the legislation clearly provide an exemption for travelers in this category.

We consider this to be a matter of great importance and we would welcome an opportunity of testifying on this subject before your Committee at the time that you will be holding hearings on this proposed legislation.

With many thanks for your kind considerations, I am,

Sincerely yours,

RABBI HENRY SIEGMAN,
Executive Vice President.

THE METHODIST CHURCH,
Philadelphia, Pa., February 12, 1968.

Hon. WILBUR D. MILLS,
House of Representatives,
Washington, D.C.

MY DEAR CONGRESSMAN MILLS: Newspapers report that you have announced that there will be some kind of a foreign travel tax bill. In a very significant editorial in the Miami Herald (February 8, 1968) the actual dollar value of such a tax to the solution of our financial problems is seriously questioned. The editorial points out that processing such a tax will require the handling of 12,600,000 pieces of paper to be filled out by travelers and the addition of 1,000 new customs men. The I.R.S. will be required to handle 6,600,000 additional travel reports and it adds the statement that the President has already proposed the expanding of the Federal work force by 45,600. What then will be the actual net gain?

The editorial also endorses you in your stand for the reduction of Government spending. Because of my position I am in touch with a wide section of public opinion, much of which can find no organized expression and the impression, both as regards to the Federal proposals for new taxes and those of the Governors of the States, is to take more of the public's rapidly shrinking dollar in order to spend more and not to preserve our fiscal soundness by saving more dollars through substantial and real Government reduction in spending.

The proposed travel tax as presently drawn is grossly discriminating and self-defeating. Business can charge the tax off and pass it on to their consumers. The rich will not be bothered by it and will continue to spend as much abroad as their fancy dictates. Dollars may be taxed but none saved from this group. All Government-connected foreign travel, tenuous or necessary, along with those who can find some connection with the party to travel, is exempt. But all foreign travel for those of very modest means bears the full burden of this

tax and all non-profit organizations, with no way of passing the tax on, must also bear the full burden of it. The bill, as presently drawn, will put an additional heavy financial burden on the Churches, especially, and their administration of their worldwide interests. The Churches in their world connections are strong forces for world peace and brotherhood and for the improvement of the American image abroad, yet this tax penalizes them for rendering this service and gives them no choice but to reduce their necessary travel or to seek voluntary funds to pay for it.

For instance, it seems most inconsistent to tax up to 30% the necessary trips which the officials of our Church Chaplains commissions to our Chaplains in foreign fields who are in fact rendering tremendous Government service. And it appears to me just as discriminatory to tax up to 30% the necessary living expenses of Bishops and other world Church bodies who will attend the Lambeth World Conference of Bishops in London in August of 1968, even though from the standpoint of accurate knowledge on world conditions this Conference will be the most effective gathering, along with the World Council of Churches meeting in Upsala, Sweden, which is subject to the same travel tax penalties, which will be held in 1968.

The morale of the American public and their confidence in Government administration is rapidly deteriorating. We wonder if this travel tax, producing a very insignificant sum in comparison with the large dollar expenditures of Government abroad, will turn out to backfire as a psychological gimmick, the same as Leon Henderson's edict to eliminate cuffs on men's trousers during the Second World War because of the necessity to save cuffs to make pants—30 cuffs for one pant-leg.

If such tax bills could come after direct and substantial cuts in Government spending had been made, both State and National, then I believe they would come as a genuine morale builder to the American public and an antidote to the morale deterioration and disorder and cynicism in public affairs which are America's real enemy.

This is the critical hour for courageous and straight-forward leadership from Washington and the State capitals to which the American people have never failed to make a sacrificial response.

I believe I speak for a vast number of American citizens in the statements contained in this letter.

Yours sincerely,

FRED PIERCE CORSON,
Resident Bishop of Philadelphia
and Past-President of the World Methodist Council.

STATEMENT OF AEROSPACE INDUSTRIES ASSOCIATION OF AMERICA

The Aerospace Industries Association of America, Inc., represents, *inter alia*, the major United States manufacturers of passenger transport and cargo aircraft, light and executive aircraft, and helicopters, and related power plants, components and accessory equipment. Perhaps most pertinent to the subject of these hearings is the fact that exports by this industry have made the single highest industrial contribution to the nation's trade surplus for the past several years.

The industry fully supports the Administration's objectives to reduce the balance of payments deficit.

However, we are concerned that unintended effects of the proposed Travel Tax Program may have an adverse impact, not only on expected gains in the balance of payments, but on other economic considerations as well, substantially outweighing any benefit that may arise from its enaction into law.

Insofar as this industry is concerned, these adverse effects would emanate from two sources: (1) direct curtailment of purchases of American aircraft by both foreign and domestic airlines; and (2) indirect curtailment of such purchases resulting from possible retaliatory measures by foreign governments.

Our purpose in submitting this statement is to request respectfully this Committee to take such facts into consideration as it weighs the net effects of the proposed program.

Some pertinent facts are as follows:

During calendar year 1967, income to the U.S. dollar account from all categories of aerospace export sales amounted to $2.2 billion. According to the latest Bureau of the Census figures the *net* aerospace contribution, after sub-

tracting $283 million in aerospace imports, was almost $2 billion, or 41% of the nation's 1967 total surplus. (See Table A).

On the civil side alone, including spares and accessories, aerospace sales from 1958, the year in which American jet transports were first introduced, through 1967, produced total export sales of $8,865 billion. (See Table B.)

Barring any impediments the aerospace industry expects to realize approximately $1.5 billion annually from foreign orders for commercial aircraft in 1968 and each of the years immediately following to satisfy the rapidly expanding growth of worldwide air travel. Obviously, any serious curtailment of such orders would have an important adverse effect on the nation's export surplus, an effect which, incidentally might well prove irremediable.

Since aircraft of U.S. manufacture constitute at least three-fourths of the equipment of the world's airlines, to the extent to which these adverse effects were realized, the U.S. manufacturing industry would be hurt both ways. In short, we are concerned that a tax which has the effect of limiting foreign air travel by Americans will lead to a decrease in orders for aircraft of U.S. manufacture; and that foreign governments, particularly European governments, by instituting comparable travel taxes on their citizens, would similarly adversely affect our domestic airline industry and, in turn, curtail the sales to it by the U.S. aerospace industry.

In terms of the national economy, the effect of the curtailment of foreign sales would be to vitiate the desired balance of payments objectives. Furthermore, the aerospace industry would face a reduction of thousands of highly trained and skilled employees because of the lost sales.

If the rataliatory measures of foreign governments take the form of nontariff barriers to the purchase of U.S. aircraft, the results in terms of lost U.S. exports would be no different than if aircraft were not purchased for direct economic reasons.

It is impossible to project accurately at this time the exact order of magnitude of these effects since the details of the program have not been finalized nor has there been enough time to evaluate completely their potential impact. However, based on the proposed tax, the probable consequences are that during the period of constraint, a minimum of 60 domestic and foreign aircraft orders otherwise anticipated would be lost. This would amount to an airframe manufacturer's total sales loss, including spares of approximately $500 million or, using a generally accepted economic multiplier, a $1.5 billion loss throughout the U.S. economy. Because foreign airlines would bear the larger share of the decrease in travel demands, the export sales reduction would amount to $300 million.

Operating in the belief that international travel would continue to grow at the annual rate of 15%, the world's major airlines have committed hundreds of millions of dollars for U.S. aircraft, including supersonic and jumbo jets of United States' manufacture. Uncertainty as to the continued validity of that rate of international travel growth necessarily places these existing orders in jeopardy and also casts serious doubt as to future orders.

We respectfully submit these facts as factors which should be weighed by this Committee in determining the utility of the proposed Travel Tax Program toward achieving its objectives.

TABLE A.—THE AEROSPACE INDUSTRY CONTRIBUTION TO THE U.S. BALANCE OF TRADE[1]

[Dollar amounts in millions]

Year	Total U.S. trade balance[2] (U.S. exports and imports)	Aerospace industry trade[3] balance (Aerospace exports and imports)	Aerospace industry trade balance as a proportion of the total U.S. trade balance (percent)
1967	$4,798	$1,965	41.0
1966	4,786	1,673	28.6
1965	6,112	1,618	23.9
1964	7,824	1,608	19.4
1963	6,209	1,627	24.7
1962	5,310	1,923	33.8
1961	6,286	1,653	23.9
1960	5,557	1,726	30.0

[1] The trade balance is defined as the excess of exports over imports.
[2] Series based on Bureau of the Census definition of exports and imports which includes reexports and military grant shipments.
[3] Series based on Bureau of the Census information on exports and imports of aerospace products.

TABLE B.—EXPORTS OF U.S. CIVILIAN AEROSPACE PRODUCTS[1] 1958 TO DATE

[In millions of dollars]

	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967
Complete aircraft:										
Transports, new	228.9	143.7	480.1	262.5	259.2	190.9	211.1	352.8	420.8	611.4
General aviation, new	12.1	14.4	23.6	27.5	23.1	26.9	33.3	68.8	89.1	91.2
Rotary wing, new	9.5	8.1	7.7	6.9	8.8	9.8	14.6	16.2	11.6	25.3
Other, including used	35.9	22.7	25.7	37.9	36.7	16.5	28.1	39.4	30.9	61.4
Total	286.4	188.9	537.1	334.8	327.8	244.1	287.1	477.2	552.4	789.3
Engines:										
Jet and gas turbine	8.0	18.6	47.5	53.6	44.8	25.7	25.0	38.8	49.3	69.6
Internal combustion	40.3	25.1	23.2	21.7	18.2	19.4	21.7	17.4	27.7	31.6
Total	48.3	43.7	70.7	75.3	63.0	45.1	46.7	56.2	77.0	101.2
Parts, accessories, and equipment for aircraft, including spares:										
Engine spares and accessories	70.5	69.3	101.1	104.2	112.2	101.3	87.7	92.6	116.9	132.1
Other spares and equipment	280.1	236.6	379.8	363.7	406.8	341.4	342.3	228.5	288.8	357.9
Total	350.6	305.9	480.9	467.9	519.0	442.7	430.0	321.1	405.7	490.0
Total, civilian[2]	685.3	538.5	1,088.7	878.0	909.8	731.9	763.8	854.5	1,035.1	1,380.5

[1] Revised.
[2] Total civilian aerospace exports, 1958–67: $8,900,000,000.

NATIONAL AIR CARRIER ASSOCIATION, INC.,
Washington, D.C., March 1, 1968.

Hon. WILBUR D. MILLS,
Chairman, House Ways and Means Committee,
House of Representative, Washignton, D.C.

DEAR MR. CHAIRMAN: The National Air Carrier Association[1] appreciates this opportunity to submit this statement concerning the impact of travel restrictions on international charter air transportation.

While we appreciate the seriousness of the balance of payments deficit, we cannot agree that the best way to rectify the deficit is through travel restrictions.

We believe an analysis of what the supplemental carriers are currently doing, and what additionally they can do to aid in relieving the balance of payments deficit, will provide a proper basis for consideration of whether the proposed taxes, as applied to charter air transportation and expenditures by charter passengers are in the public interest.

Although 17 percent of the air passengers in the transatlantic market (which is by far the largest international air travel market) are transported on charter flights[2], the economic and operational characteristics of international air charter services are not widely known. The fact is that such services differ markedly from the scheduled services in their economics, mode of operation, rate structures and compositon of traffic.

We believe that these differences between charter and scheduled air services warrant independent consideration of charters and charter passengers in the formulation of legislation designed to restrict travel by U.S. citizens outside the Western Hemisphere.

WHAT THE SUPPLEMENTALS ARE DOING

The international charter services of U.S. supplemental carriers are already bringing a sizeable percentage of foreign visitors to the United States. However, these flights are tied economically and operationally to U.S. originating flights. Any reduction in the number of U.S. originating flights would thus adversely affect the economics of the entire charter operation and necessarily bring about a cutback in foreign originating fights.

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[1] The members of the Association are: Capitol International Airways, Inc.; Modern Air Transport, Inc.; Overseas National Airways, Inc.; Purdue Aeronautics Corporation; Saturn Airways, Inc.; Southern Air Transport, Inc.; Standard Airways, Inc.; Trans International Airlines Corporation; Universal Airlines, Inc.; and World Airways, Inc.

[2] CAB Press Release 68–9, February 12, 1968. Figure is for the April–September 1966 period.

A. Supplementals already have directional fares and have achieved a reasonable balance between U.S. and foreign originating groups

From the time that supplemental carriers were certificated to engage in transatlantic charter service, they have endeavored to promote group travel originating in Europe by means of low directional fares. At the present time, such rates are as much as 30 percent to 35 percent below the rates for similar services charged to groups beginning their journey in the United States. As a consequence of these promotional efforts (which, to our knowledge, represent the only air carrier plan to date to stimulate travel to the United States through the use of directional fares), the following results have been achieved or are expected:

TABLE 1.—DISTRIBUTION OF U.S. SUPPLEMENTAL CARRIER TRAFFIC BETWEEN UNITED STATES AND FOREIGN ORIGINATIONS, 1967-68

	Passengers	Percent of total
1967		
U.S. originating	149,803	60.5
Foreign originating	98,005	39.5
Total	247,808	100.0
1968		
U.S. originating	257,327	57.9
Foreign originating	186,913	42.1
Total	444,240	100.0

B. Much of the U.S. originating travel on supplemental carriers consists of students, teachers and ethnic groups

Students, teachers, and ethnic groups—largely persons of moderate means whose travel is in the public interest—account for more than 80 percent of the supplementals' transatlantic charter traffic originating in the U.S., as shown below:

TABLE 2.—RELATIONSHIP OF STUDENT/TEACHER/ETHNIC GROUPS TO U.S. ORIGINATING SUPPLEMENTAL CARRIER TRAFFIC IN THE TRANSATLANTIC MARKET, 1967-68

	Passengers	Percent of U.S. originating
1967		
Students	49,761	33.7
Teachers	14,004	8.9
Ethnic groups	67,302	44.9
Total	131,067	87.5
1968		
Students	86,152	33.5
Teachers	22,821	8.9
Ethnic groups	106,577	41.4
Total	215,550	83.8

Contrary to the misleading views expressed before your Committee by the Creative Tour Operators Association, the student, teacher, ethnic group and other charters performed by U.S. supplemental carriers fully adhere to CAB regulations. Further, since these groups consist largely of persons with moderate means, they are likely to spend substantially less abroad than individually ticketed travelers.

C. The success of the supplementals in the transatlantic market has largely been at the expense of the foreign flag carriers, which fact in itself has improved the balance of payments

The following table proves the effectiveness of the U.S. supplementals in increasing the U.S. flag share of the transatlantic charter market.

TABLE 3.—PRO RATA CHARTER PASSENGERS AND RELATIVE SHARE OF MARKET BY CLASS OF CARRIER (APRIL-SEPTEMBER PERIODS)[1]

Year	U.S. Transatlantic route carriers		U.S. domestic carriers		U.S. supplemental carriers	
	Number	Percent	Number	Percent	Number	Percent
1963	9,865	5	----------	----------	31,676	17
1964	10,684	4	----------	----------	56,991	21
1965	22,199	6	8,719	2	84,040	23
1966	23,857	9	7,160	2	138,696	31
1967	92,620	17	3,358	----------	239,686	43

Year	Foreign route carriers		Foreign charter carriers		Totals	
	Number	Percent	Number	Percent	Number	Percent
1963	138,621	75	4,335	3	184,497	100
1964	193,460	71	10,674	4	271,809	100
1965	222,277	61	31,238	8	368,473	100
1966	222,571	51	31,111	7	438,395	100
1967	151,015	27	70,135	13	556,814	100

[1] Passengers counted on a 1-way basis, i.e., a round-trip flight or passenger is counted twice.

Source: CAB Press Release 68-9, Feb. 12, 1968

During the five-year period shown, the U.S. flag share of the charter traffic increased from 22 percent to 60 percent; correspondingly, the share of the foreign carriers declined from 78 percent to 40 percent. This improvement in distribution resulted largely from the increased competitive effectiveness of the U.S. supplemental carriers.

D. Restrictions on U.S. originating charter travel may well jeopardize the transatlantic charter programs of U.S. supplementals which now transport a large percentage of foreign passengers to the U.S.

The economic viability of the transatlantic charter programs conducted by U.S. supplemental carriers is predicated on (1) minimizing ferry flights, and (2) achieving reasonable balance between relatively high-priced U.S. originating and low-priced foreign originating charter programs. As shown by Table 1, about 40 percent of their transatlantic charters are foreign originated.

Ideally, the supplemental carriers attempt to construct their charter programs by so intermeshing U.S. and foreign originating flights that no empty legs are required. As a practical matter, between 15 percent and 20 percent of all flights flown across the Atlantic by supplemental carriers are ferry or non-revenue flights. Any restrictions on the volume of business that could be developed in the U.S. would tend to increase the percentage of non-revenue flying and jeopardize the economics of the entire operation. Also, in view of the interlocking operational relationship between U.S. and foreign originated charter flights, cancellation of U.S. flights will cause a corresponding reduction in the number of foreign originating flights.

In sum, the operation of international charter programs by U.S. supplemental carriers does not contribute to the balance of payments problem as the revenues derived from transporting foreign visitors coupled with the currency expended by foreign visitors in the U.S. approximate the amount expended overseas by U.S. travelers. In addition, the charter carriers have contributed greatly in (1) serving the travel needs of U.S. students, teachers and ethnic groups, and (2) stimulating, by their competitive impact, the scheduled carriers into reducing transportation costs. An across-the-board application of travel restrictions to U.S. charter passengers will tend to make uneconomical the international charter services of U.S. supplementals and also bring about a reduction in the number of foreign charter passengers visiting the U.S. Exceptional treatment for charters and charter passengers is thus fully justified.

WHAT THE SUPPLEMENTALS CAN DO

Exemption of charter flights from the proposed travel tax can enable the supplementals to continue their historically successful penetration of the

European originating transatlantic charter market. While only 25 percent of U.S. citizens have traveled by air, only 2 percent of the world's population have used air transportation. The *low-cost* features characteristic of air charter travel are *best* able to attract this potential market to air travel. What is true in the U.S. is even more so in Europe.

Apart from the negative impact of travel restrictions, the supplementals, with government cooperation, can make a substantial and positive contribution to the balance of payments. We believe that with the cooperation of the Civil Aeronautics Board in granting necessary authorizations the U.S. supplementals would be able to mount large-scale programs of low-price inclusive tour charters[3] which would have the potential of bringing as many as 50,000 additional foreign visitors to the U.S. in 1968 and 150,000 additional in 1969. These additional visitors would be diverted from ITC programs of foreign carriers already in effect serving points in Africa and Asia. See Tables 7 and 8.

To summarize a rather complex regulatory situation, U.S. supplementals are now authorized to perform affinity charters originating in foreign countries but they cannot charter aircraft to foreign tour operators for inclusive tour charters. The CAB has authorized several foreign supplementals to charter to foreign tour operators but has not as yet permitted U.S. supplementals to do so. A further obstacle to the successful promotion of foreign originating ITC programs by U.S. supplementals exists by virtue of the regulatory requirements (1) that the tour or "package" price must exceed 110 percent of the lowest available IATA scheduled fare, and (2) that the tour serve at least three separate points of destination. Each of these requirements serves to increase substantially the minimum price at which an inclusive tour to the U.S. can be offered.

These barriers to large-scale foreign-originating ITC programs by U.S. supplementals can be removed, and the members of NACA have requested the CAB to do so. With CAB assistance, the U.S. supplementals can, as shown below, achieve a significant gain for the U.S. balance of payments position by reaching a vast and thus far largely untapped source of foreign visitors to this country.

A. The European market is accustomed to the inclusive tour

For at least the past ten years inclusive tour charters for vacation travel purposes have been an increasingly substantial factor in the European travel market. This is evident from the following table with respect to ITC traffic carried outbound from the United Kingdom for the period 1961–1966.

TABLE 4.—INCLUSIVE TOUR CHARTER TRAFFIC (OUTWARD PASSENGERS CARRIED), SUMMER SEASONS, 1961–6

[Thousands]

Year	All airlines	United Kingdom airlines	Foreign airlines
1961	295	225	70
1962	352	222	130
Increase or decrease (percent)	+20	−1	+87
1963	441	261	180
Increase or decrease (percent)	+25	+18	+38
1964	592	397	195
Increase or decrease (percent)	+34	+52	+8
1965	744	555	188
Increase or decrease (percent)	+26	+40	−3
1966	1,090	898	192
Increase or decrease (percent)	+47	+62	+2

Source: United Kingdom Board of Trade.

Similar experience is reported for the inclusive tour operations outbound from Berlin as summarized in the following table which included destinations in the following areas: Bavaria, Austria, Italy, Spain, Portugal, Yugoslavia, Denmark, The Netherlands, and areas along the Black Sea and North Africa.

[3] The inclusive tour charter enables a supplemental carrier to charter an entire aircraft to a tour operator who assembles in a single low price a package tour subject to certain CAB regulations.

TABLE 5.—ITC OPERATIONS OUT OF BERLIN 1958–66

Year	Total capacity round trip seats	Nationality and number of carriers	
		United Kingdom	United States
1958	8,991	3	
1959	14,560	4	
1960	17,763	2	
1961	[1] 16,238	2	
1962	23,462	1	1
1963	24,552	1	1
1964	48,584	1	2
1965	62,588		2
1966	117,516	1	2

[1] As a result of the erection of the Berlin wall, there were appreciable cancellations in 1961 which account for the decrease.

Source: Exhibit S–20, p. 1, CAB docket 17205.

B. Other travel arrangements will not develop this new market: Affinity charters are not as well related to the actualities of the European market and individually ticketed travel is too expensive

Expert testimony submitted to the Civil Aeronautics Board in the *Sudflug* case, Docket 17205 (Exhibit S–A, p. 5) demonstrates that in Europe affinity charters—that is, charters by clubs and organizations, which constitute the vast bulk of transatlantic charters—cannot attract the large number of passengers who utilize inclusive tour charter services. There are evidently fewer clubs and organizations in Europe, and Europeans are less accustomed to travel under the auspices of such organizations than they are in the United States. Those with experience in the European market have concluded that it is unrealistic to expect to develop in a short period a substantially greater volume of affinity charter flights than now exists.

Furthermore, it is clear that individually ticketed services now available are not likely to attract an appreciable number of the foreign travelers who would utilize inclusive tour charter services. So much is clear from Table 6 below. The ITC market will be found among those persons who cannot now afford the tariffs of the scheduled airlines.

TABLE 6.—COMPARISON OF TRANSATLANTIC FARE STRUCTURE, NEW YORK TO PARIS

Scheduled airlines, either direction round trip				U.S. supplementals proposed foreign originating ITC round trip
Economy fare (May 22–Aug. 3)	Economy fare (Aug. 4–May 21)	14 to 21-day excursion fare	GIT fare (including minimum ground package)	
$559.10	$473.60	[1] $331	[1] $370	[2] $275

[1] Not available Friday, Saturday, or Sunday, nor during the following periods: Eastbound June 10–July 4, Aug. 5–Aug. 22; westbound June 3–June 20, Aug. 19–Sept. 5.

[2] Proposed average per-person price of a European originating ITC based on certain modifications to existing ITC regulations as discussed herein.

C. The market for low-cost travel to the U.S. has not been developed

On the basis of a recent German survey, which is summarized below, it is obvious that the United States presently ranks well down the list as a vacation destination.

Where did you spend your vacation?

TABLE 7.—*Summary of questionnaire regarding destinations of German vacation travelers, March 1965*

Destination:	*Percent of total*
Majorca/Ibiza	37.3
Remaining Spain	11.0
Roumania (Mamaia)	6.9
North Italy (Catolica/Lido di Jesolo)	6.1
Canary	5.9
Remaining Europe	5.3
Bulgaria	4.6
South Yugoslavia	4.2
Tunis	3.6
South Italy	3.0
Germany (Berlin/Schwarzwald)	1.7
North Yugoslavia	1.6
Corsica/France/Domaine de Angone	1.3
Remaining Greece	1.0
Portugal	.8
Sardinia	.7
USA	.7
North Africa	.4
Rhodes	.3
South Africa	.3
Near East	.2
Crete	.1
Canada/Mexico	----
No statement	3.0

On the other hand, the same survey indicated that North America would be the prime destination if the price were right.

Which destination would you choose, if air traveling costs would be lower or if you would have more money to spend?

TABLE 8.—*Destination preference if air travel costs could be reduced*

QUESTIONNAIRE REGARDING DESTINATION OF GERMAN VACATION TRAVELERS, MARCH 1965

Destination:	*Percent of total*
North America	15.7
Southwest Europe	14.2
Africa	12.7
Southeast Europe	9.6
Canary	6.9
Asia	6.6
South America	5.6
Japan	3.9
North Europe	3.8
South Pacific	3.7
India	2.9
Others	8.1
No Statement	7.6

D. Foreign originating inclusive tour charters to the United States could bring large numbers of foreign passengers to the United States and produce large sums in foreign exchange

It should be noted that, because of the required lead time in organizing an inclusive program as well as possible delay in obtaining relief from existing regulations, the supplemental carriers' ability to generate a large volume of inclusive tour traffic in 1968 is questionable. A more substantial impact of ITC programs on the balance of payments deficit could be obtained in 1969. The *potential* traffic that could be generated by inclusive tour charter programs in 1968 and 1969 is shown below:

TABLE 9

Tour price	1 stop	2 stops	Number of potential passengers 1968	1969
$275	X		50,000	100,000–150,000
$347		X	25,000	50,000– 75,000

ESTIMATED POSITIVE CONTRIBUTION TO BALANCE OF PAYMENTS

	Potential 1968 [1]	Potential 1969
$275	$21,250,000	$42,500,000–$63,750,00
$347	12,425,000	24,850,000– 36,875,00

[1] Figures include $150 per person to cover costs of meals and incidental expenses.

These projections assume that the supplementals will be granted relief from the present minimum price and three-stop requirements (as discussed *supra*). If, however, the carriers are required (as they presently are) to charge a minimum tour price equal to 110 percent of the lowest IATA scheduled fare, then the relatively high IATA fare level and the absence of IATA directional fares will operate to reduce substantially the potential volume of ITC traffic to the U.S. by causing a higher tour price. The same is true of the present requirement that at least three points of destination be served.

E. Large-scale "back-to-back" foreign originated ITC programs would be economical without requiring additional U.S. originated travel

Although supplemental carriers are able to offer low directional fares to *ad hoc* foreign affinity groups only by balancing such charters with higher paying U.S. originating flights, it does not follow that performance by foreign originating ITC programs by U.S. supplementals will require additional flights involving U.S. citizens, By performing these programs on a large-scale and "back-to-back" basis, we believe that they can be made to be self-sustaining.

Based upon the foregoing it can readily be seen that the U.S. supplementals with additional authority from the CAB can develop an ITC market which has a potential of contributing up to 60 additional million dollars per annum toward eliminating the balance of payments deficit. Therefore, it would appear appropriate to emphasize charter programs which will make a positive contribution rather than to place travel restrictions upon charter transportation which will have an adverse impact on the existing balance of payments situation.

CONCLUSION

As has been stated above the existing ability of supplemental carriers to attract foreign visitors to the United States is based on the low directional fares currently in effect which are only possible by reason of the higher outbound fares. Likewise, the restrictions, by reducing utilization of aircraft which is the key to lower fares, would place in jeopardy the supplementals' ability to mount large-scale ITC programs at the low rates necessary to attract foreign visitors.

In summary, we submit that the proposal for a tax on transportation and expenditures is not justified and is opposed by this Association. We feel that the proposed tax could injure rather than help the balance of payments deficit. The long-term effect of such a tax will not only adversely affect travel but will jeopardize the growth of U.S. international carriers and will in all probability result in curtailment in employment and retard the sales of aircraft both to U.S. and foreign airlines. For these reasons we believe it more appropriate to adopt positive measures such as the ITC program we have suggested rather than to adopt negative or restrictive measures, the concomitant effect of which cannot be measured.

The National Air Carrier Association will be pleased to elaborate on this proposal or furnish any additional information the committee may desire.

Sincerely,

EDWARD J. DRISCOLL,
President.

TRANS WORLD AIRLINES, INC.,
Washington, D.C., February 28, 1968.

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

DEAR MR. CHAIRMAN: I am aware that the Committee has heard and received a great deal of testimony on the balance of payments problem. TWA does not wish to burden the Committee with repetitious statements, but we do feel it important to submit for the official record a copy of a letter from our President, Charles C. Tillinghast, Jr., to President Lyndon B. Johnson suggesting a modest head tax be imposed. The proceeds of this tax could be used to mount an intelligent, concerted and long-range attack on the genuine balance of payments problem to which we believe a long-range solution must be found.

TWA also feels that the final recommendations that might be made should not discriminate between travel to the different hemispheres. The balance of payments problem should be dealt with on a total basis.

Finally, we would hope that your Committee could give serious consideration to recommending that greater emphasis be placed on the use of American Flag Carriers by not only Government employees and Government contractors, but by all United States citizens.

Sincerely,

J. WOODROW THOMAS,
Vice President.

TRANS WORLD AIRLINES,
New York, N.Y., February 2, 1968.

THE PRESIDENT OF THE UNITED STATES,
The White House,
Washington, D.C.

MR. PRESIDENT: As you undoubtedly appreciate, we at Trans World Airlines have been devoting considerable thought and study to the balance of payments problem, and particularly to the question of how international transportation companies can contribute to the solution of a difficult and important problem. Among other things, we have appraised the probable consequences of possible restraints on travel abroad.

We start by recognizing that the country has a genuine balance of payments problem to which long-run solutions must be found. Thus we regard it as especially important that steps designed to deal in the short run with current symptoms do not further complicate the underlying disease. A constructive and positive program, consistent with this country's principles of individual freedom and the liberalization of international trade, should be adopted.

Suggestions for monetary penalties on travel abroad have raised a number of serious questions involving constitutional principles, discrimination against the less wealthy, interference with desirable study programs and cultural exchanges, difficulty of administration and the spector of growing restrictionism with respect to international travel, similar to the progressive erection of tariff barriers. There not only has been a mounting tide of public criticism of restrictive proposals, but an expression of substantial doubt that any exit charge would obtain the endorsement of Congress.

My purpose in writing is not to add another voice to those already opposing an exit fee (although I would regard a large fee as representing a Smoot-Hawley approach to the problem) but, rather, affirmatively to urge imposition of a modest fee ($10–$15) the proceeds of which could be used to mount an intelligent, concerted and long-range attack on the problem. Such a fee would constitute a mild depressant on travel to the areas with respect to which it was applied but would not be so high as to bar important travel by even those of modest means. It could hardly be considered discriminatory against students, teachers and the retired or be construed as an infringement on the "historic right of Americans freely to travel". Particularly since a number of other countries have modest exit fees (Colombia $10, France $5, Greece $1.35, Israel $2.50, Italy $1.65, Spain $0.84 and Switzerland $0.69), imposition of such a fee probably would not stimulate retaliatory action by other countries. If the funds are devoted as outlined below, the program should have genuine attraction for foreign airlines as a positive effort to achieve travel parity by increasing the volume of travel in which all carriers will participate.

The most important facet of a program of the type suggested would be creation of a fund which could be used to press an attack at the heart of the problem. Knowledge that the funds were to be so used should assure wide public support for the program and facilitate its adoption by the Congress. Of crucial importance in my view, the start would be made on achieving a permanent cure of a situation with which no one can be happy.

Under the direction of Ambassador McKinney, a task force of able and knowledgeable citizens has been devoting itself to an intensive study of means of inducing foreigners to increase their travels to the United States. Since I am not privy to their deliberations, I do not know just what recommendations will flow from this study, but I have talked with enough members of this group to know that a great many sensible suggestions have been made for dealing affirmatively with this problem. Many of these suggestions will take money to implement. The necessary funds should be available for these purposes.

Some of the uses that could be made of the fund which would be produced ($30–$50 million) are obvious. For example, the fund would enable us to saturate the hard-currency countries of the world with Visit USA advertising and sales activities and to match in the aggregate the funds spent here by the tourist ministeries and bureaus of countries seeking to woo our tourists. The proceeds, or a part thereof, might also be dedicated to making America a more manageable and attractive destination through such avenues as improved entry facilities, including multi-lingual hostess staffing; establishment of foreign-visitors centers in key U.S. cities; etc.

As another means of attacking this problem in a sensible manner, I would urge that your task force recommend a program of improving the statistics bearing on the nature and extent of the problem. While I can in no sense pose as an expert in this field, I have heard enough questions raised as to the precision of the figures on our travel and transportation accounts to have substantial doubt as to their accuracy. Therefore, I think that a program aimed at obtaining a better measure of (a) the nature and extent of expenditures abroad associated with travel and (b) of the relative use of U.S. and foreign carriers, would be most useful. Perhaps our problem is more serious than we think; perhaps it is less. In either event, we should know.

In my view, the program outlined above stands a chance of public acceptance, deals with the balance of payments problem in a constructive way with enduring benefits, and offers the opportunity to project the American image on a grand scale in a period in history when our country needs it most.

Sincerely,

CHARLES C. TILLINGHAST, Jr.,
President.

PACIFIC SOUTHWEST AIRLINES,
San Diego, Calif., February 22, 1968.

HON. WILBUR D. MILLS,
House Office Building,
Washington, D.C.

MY DEAR MR. MILLS: We at PSA have followed with great interest the controversy over the proposed legislation concerning an airport head tax on boarding airline passengers. In view of the possible legislation, I would like to take this opportunity to present certain facts concerning this possible tax as applicable to PSA.

As a businessman and president of a large corporation, I am very much aware of the increasing costs in running a complex national government coupled with military spending and aid to underprivileged and minority groups. These costs, I realize, are essential. In this area, I recognize the need for increased revenues and possible new areas for taxation.

In fairness to my company, my stockholders, and the commuter passenger of California and the East Coast, however, I must present our stand on this possible tax and our recommendations for possible changes.

I must further admit that I cannot oppose the possible new boarding tax in its entirety. I do believe that some consideration should be given to the commuter-type carrier such as PSA and other similar airlines and, more important, the commuter-type passenger who will be most seriously effected.

As a point of explanation, we at PSA are proud of the fact that we are considered the pioneer in lowering air fares for the California air traveler as well

as setting a trend for other airlines to follow. The CAB has frequently cited PSA as an airline that can offer fine service on the finest jet equipment possible *BUT* at low fares.

For example, our air fare between Los Angeles and San Francisco is $13.50 or $11.43, depending on the type of equipment being utilized. The air fare between Los Angeles and San Diego is $6.35. A flat $1.00 tax on these flights would represent a 7.4%, 8.7%, and 15.6% increase, respectively!

I do not intend to bore you with countless figures and statistics pertaining to the growth of passenger totals with our addition to certain air routes. However, it might be noted that the Los Angeles-to-San Francisco air route has become the heavist-traveled in the world—due, primarily, to the low fares inaugurated by this airline and followed by other carriers. And in Sacramento, total traffic for all carriers increased 67% in the second month of operation following our addition to the Los Angeles-Sacramento air route in February, 1967. While increases since that time have, of course, not been so pronounced, they have been substantial throughout the year we have been on this run. Thus, we have enabled all types of commuters—businessmen, college students, military personnel, etc.—to fly for little if any more than it would by automobile over the same distance.

This commuter-type service is not unique to PSA and the West Coast. Eastern Airlines is well known, I am sure, to you and your constituents as a fine means of transportation between Washington, D.C. and New York City. I am also sure that such a boarding tax would affect their service in the same degree that it would ours.

For this reason I would like to propose the possibility of a boarding tax for fares over $20.00 I sincerely believe a more equitable and suitable tax would be one calling for a minimum tax of $.50 for any fare over $20.00 or 1% of the total fare, whichever sum is greater. On a typical long-haul Los Angeles to New York run, for example, this would result in a $1.45 tax (based on 1% of the existing coach fare of $145.10) or $1.05 for the Los Angeles to Chicago run (based on 1% of existing coach fares of $105.45).

I believe this proposal is a sound one. An additional $1.05 tax or even the maximum tax of $1.45 will not be that greatly felt by a cross-country air traveler. In turn, the businessman, the student, or the military personnel on leave will not be effected on their commuter-type trips where their base fare is now only $6, $11, or $13. Obviously, a $1.00 tax on these existing low fares will greatly effect a passenger's decision to take such a flight. This fact was born out in our reduction to $11.43 from $13.50 when we inaugurated two-types of equipment service in Spring, 1965. I must admit that even we were surprised with the great increase in our lower fare passenger totals—due to the $2.07 difference in fare.

There is no doubt in my mind that an across-the-board $1.00 boarding tax would greatly reverse the trend in increasing passenger totals as a result of more and more Americans taking advantage of lower air fares. While this airline would be effected, it is in truth the potential passenger who will be most seriously hurt by a boarding-tax on commuter-type fares.

This tax would also have a reverse effect on airport revenues as well as rental agencies and other secondary airline businesses. Decreased passenger totals must, in turn, have an adverse effect on the airports themselves and all companies dependent on airline travel.

As a means of further explanation, PSA would not be completely exempt from the tax structure we propose due to the fact that we do have existing fares over this $20.00 minimum and we are also hopeful of inaugurating interstate service to Seattle and Portland from existing California stops in the near future. Proposed fares on this Northwest route would be substantially over the $20.00 minimum we propose.

I would like to take this opportunity to express my appreciation for being able to present the views of this airline to you. I am hopeful that you and your constituents will be cognizant of our unique type of air service and resulting fare structures. Please feel free to contact me if I can be of further assistance in this matter or if further information is required.

Sincerely yours,

J. FLOYD ANDREWS, *President.*

STATEMENT OF EARL W. CLARK AND HOYT S. HADDOCK, CO-DIRECTORS, THE LABOR-MANAGEMENT MARITIME COMMITTEE

Mr. Chairman and members of the Committee, we thank the Committee for the opportunity of presenting this statement on the proposed administration plan for travel taxes.

The Labor-Management Maritime Committee, submitting this statement, is an organization composed of major steamship lines and seagoing labor interested in the promotion of the American Merchant Marine, the expansion of the commerce of the United States, and increased benefits to the economy of the nation through waterborne transportation.

The Secretary of the Treasury, in testimony before your Committee on February 5 and 6, 1968, proposed (1) a ticket tax of 5 percent on steamship passenger tickets for travel outside the Western Hemisphere (this tax to be imposed until October 1, 1969, (2) a graduated tax on a traveler's expenditures abroad, and (3) a reduction in the amount of duty-free purchases which could be returned by the traveler to the United States.

We are opposed to these measures and believe that reductions in our balance of payments deficit can be more effectively achieved through other means. We note and support the statement of Mr. Albert J. Keenan, Vice President of Moore-McCormack Lines, Inc., in testifying before this Committee on February 28 of this year when he pointed out that:

"The latest figures for 1966 show that the private sector of our economy exported thirty billion dollars worth of goods and services and imported twenty-five point billion dollars. This resulted in a favorable trade balance of 4.5 billion dollars. The deficit in our balance of payments stems largely from our commitments in Vietnam and our military and aid expenditures elsewhere."

Thus, it is clear that the current $3.5 to $4 billion in balance of payment deficits is not derived from the private sector of our economy. Yet the transportation tax would penalize the very industry or instrumentality that holds forth the greatest promise of reducing our balance of payments deficit—the U.S.-flag merchant marine.

In this connection it should be noted that the American Merchant Marine contributes approximately $900 million annually to the improvement of our balance of payments even though carrying only 7% of the combined import-export commerce of the United States. Had our national maritime policy of carrying a "substantial portion" of our foreign commerce in U.S.-flag ships (interpreted by authoritative Congressional Committees as "at least 50%") been carried out, the balance of payments deficit would have been substantially reduced if not practically eliminated. Thus, the private sector of our economy could have further offset the deficit through greater use of the American Merchant Marine even though the deficit burden was created for the most part outside its province; namely, the war effort and the foreign aid program. Even in these latter operations, the U.S.-flag fleet saved literally hundreds of millions of dollars otherwise lost to our balance of payments had the government been forced to utilize foreign shipping.

Instead of approaching the problem in a positive way by building up our merchant marine and supporting its efforts to help solve our international monetary dilemma, the purely negative approach of taxing and limiting our foreign travel is being offered.

In this connection it is noted that concurrent Resolution S. 58 and HR. 640, introduced by the Chairmen of the Senate Committee on Commerce and the House Merchant Marine and Fisheries Committee respectively, and supported by the other members, spells out our own position quite clearly. These legislative actions should be supported as positive instruments to guide our efforts in reducing the balance of payments deficit rather than the negative and self-defeating proposals set forth by the administration. They are self-defeating not only because they are negative in substance but because their application may well bring reciprocal action on the part of other nations and thus, in the final analysis, further accentuate our deficit problems.

We thus support the basic principles offered in testimony on February 28 last by Mr. Albert J. Keenan on behalf of the Committee of American Steamship Lines and in cooperation with the American Merchant Marine Institute.

The Labor-Management Maritime Committee respectfully requests that this document be made a part of the hearings on this subject and calls upon your Committee to reject the travel tax proposals.

Respectfully submitted,

EARL W. CLARK,
HOYT S. HADDOCK,
Co-Directors.

NATIONAL MARITIME HISTORICAL SOCIETY,
Washington, D.C., February 13, 1968.

Mr. JOHN M. MARTIN, Jr.
Chief Counsel, Committee on Ways and Means,
Longworth House Office Building, Washington, D.C.

DEAR MR. MARTIN: The National Maritime Historical Society, a non-profit educational organization as defined in Section 4294(b) of the Internal Revenue Code would like to file comments on the proposed travel tax program.

The National Maritime Historical Society is currently undertaking the restoration of the last American built square-rigged merchant vessel, the bark KAIULANI, which was given to the American people by the people of the Philippines in October 1964. The gift was presented to President Johnson by the then President of the Philippines.

The KAIULANI restoration is not only important to maritime history, it is an international goodwill project. The Congress of the United States recognized this last year when they enacted special legislation to assist the long term financing of the KAIULANI restoration. This legislation was signed into law by President Johnson on December 14, 1967, as P.L. 90–194.

The restoration of the KAIULANI is presently being undertaken in the Philippines and will be completed in Hong Kong. Consequently, the technical staff of the National Maritime Historical Society will be involved in travel from the United States to the Far East. In most cases, the technical staff will remain in the Far East for 30 to 90 days. Under the proposed travel tax, all of their expenditures for lodging and food will be subject to the tax.

I am sure there are many other non-profit educational organizations involved in international operations which would be adversely affected by the proposed travel tax program. While the proposed travel tax program exempts certain nonprofit educational organizations as defined in Section 4294(b) from the 5% transportation excise tax, it does not exempt them from the tax on expenditures. In order to allow non-profit educational organizations engaged in international operations to continue their overseas activities, it is recommended that Section 4294(b) Non-Profit Educational Organizations be exempt from the proposed tax on expenditures.

It would be appreciated if this letter would be included as part of the Committee's record.

Yours truly,

ALAN D. HUTCHISON,
President.

STATEMENT OF PACIFIC AMERICAN STEAMSHIP ASSOCIATION

TRAVEL TAXES

Our organziation, comprised exclusively of U.S.-flag steamship lines whose vessels carry passengers outside the Western Hemisphere, is opposed to the Administration's proposal to (1) levying of a 5% tax on tickets or (2) a graduated tax on travelers' expenditures abroad. Our comments focus on the particular effect these taxes will have on U.S.-flag vessels.

A transportation tax, when levied on passengers using U.S.-flag aircraft or vessels, in no way redresses the imbalance in our international payments account. It is simply a special tax—and a very substantial one—which uniquely falls upon one particular group—the consumers of transportation. And, we add, it falls with a heavy—perhaps destructive—hand on one segment of U.S. industry—the operator of ocean passenger vessels.

The make-up of a ship's passenger list, at least in the Pacific where our member vessels operate, is more and more comprised of senior citizens who live on a limited income and travel on personal funds. Very few passengers are business travelers at company expense. The tax of 5% on a typical first-class, round-trip fare to the Orient and return approximates $100.00 per ticket or $200.00 per couple! This is a huge penalty to put on citizens who respond to the admonition to use American ships. Why must they contribute to our economy once in the purchase of a ticket on a U.S.-flag vessel and *again* to the Treasury in the 5% tax? Is it not discriminatory to levy upon the purchaser of one particular U.S. product a sales tax on a single domestically produced product while other domestic products are exempted from such a Federal sales tax? We certainly do not advocate that all domestic purchases be equalized with a

5% sales tax. But we do advocate that purchasers of one U.S. product and, I might add, the suppliers of that product, not be treated discriminatorily vis-a-vis other U.S. products in this regard.

The passenger tax when applied to U.S. ships is a tax not only on domestically produced transportation but also on domestically produced food and accommodations. In a $2,000.00 round-trip ticket, about $1,200.00 can be considered transportation and the balance of $800.00 goes for de luxe hotel-type accommodations comprising three or four sumptuous meals per day, entertainment, services of all kinds and lodging over the forty-two day trip which is involved—all of it comprised of goods and services supplied by U.S. economy. This tax on accommodations presents a further aspect of the discrimination against passengers on U.S.-flag ship operators compared with domestic accommodations on shore.

The power to tax is the power to destroy. If the passenger tax alone does not frustrate a passenger's plans to travel, the graduated tax on per diem expenditures will certainly finish the job. Most certainly these two taxes, when levied on the relatively higher costs of long haul travel such as passenger ships offer in the Pacific, will destroy the already marginal ability of U.S. passenger ships to stay in Pacific Ocean sea lanes. These ships are not a frivolous adjunct to the economy nor are they unimportant politically in the area they are serving. Far from it! They are a hard core element of commercial benefit and prestige in the Far East and, more importantly, of defense capability in time of need. To lose these vessels, whose annual contribution to the balance of payments is in the hundreds of millions of dollars, and whose defense potential is so critical, would be an act of folly unprecedented in the annals of this country.

The crowning blow is the discrimination which the proposed passenger tax introduces competing between U.S. ocean carriers. Those serving foreign routes inside the Western Hemisphere are exempt; while those serving the other foreign destinations are not. It is no solution to suggest that U.S.-flag overseas carriers whose livelihood is threatened can transfer operations to Western Hemisphere areas. There are dozens of reasons why this is not feasible—some based on economy of operations and personnel problems, some on Government obligations to serve one particular route, etc.

In brief, the passenger tax on ship travel and on travel expenditures is not one which hurts "just a little bit"; it hurts the U.S.-flag ship operator in the Pacific a whole lot. Under current rate structures, passenger ships in the Pacific need at least 80% occupancy (some 85% to break even and are barely holding this line now. A tax induced reduction to 65% or even 70% of occupancy could cause losses which could force the layup, or eventually, the disposal by sale of the vessel. Passenger ships do not have a large expense account clientele—(whose employers pay the tax)—to fall back on such as the airlines have.

We wonder how the passenger ship is going to be alive to earn balance of payments revenue from foreign visitors, (which we are promoting both in our own industry as part of the national policy), if he's knocked off his sea lanes by curtailment of U.S. citizen travel through taxation.

Apart from the crushing impact on operators of U.S. passenger ships and, apart from the regressive impact on our balance of payments, there are a host of complexities inherent in these two taxes. There are complexities and legalities as to how the transportation tax will be collected when tickets are sold abroad; there are endless opportunities for evasion. There are complexities as to how a traveler's expenditures will be audited and the tax collected, etc. Others have fully developed these pitfalls in testimony before this Committee.

The Administration's plan is so patently laden with economic destruction for operators of U.S.-flag passenger ships, and with no benefits—indeed diseconomies—for our balance of payments, that the Administration and the Congress should abandon these two taxes and find other less destructive and discriminatory merchanisms to persuade American to keep their dollars at home.

The operators of U.S.-flag passenger vessels earn more than their share of the tourist dollar. We ask that special consideration be given to ways and means to insure they can stay alive to continue earning these important dollars in our international payments account.

Statement of the American Hotel & Motel Association

SUMMARY

1. The proposed *international air travel tax* has merit if in fact the receipts therefrom are used to encourage foreign travelers to the U.S. Such receipts

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.

Foreign Spending Tax

We are concerned with the "temporary" label which the Administration has placed on the foreign spending tax. (At this very moment the Congress is considering another extension of the "temporary" excises on automobiles and telephone service.)

We have been told that the foreign spending tax represents an effort for a short-term correction of the payments problem which is needed to take up the slack until the long-term measures take hold. (The latter refers to those programs to be financed out of the proposed 5 per cent international air travel tax.) The foreign spending tax is to expire on October 1, 1969. Thus, all this assumes that the long-term measures will be fully and successfully operative on or before September 30, 1969.

We have seen nothing which indicates this to be a probability. Aside from silence on the part of the Administration with regard to the above questions, recent past history is not encouraging.

For years now we have had many similar long-range programs, e.g., the International Travel Act of 1961, the Cabinet Committee on Travel Planning and Promotion, the "See the U.S.A." program, etc. And all the while the travel gap has increased!

What assurance do we have that the travel gap will be closed during the course of this "temporary" restraint on travel? And is it really to be "temporary" in nature?

The Treasury report entitled "Maintaining the Strength of the United States Dollar in a Strong Free World Economy"—called the "blue book" during the Secretary's appearance—is of no help to us. In one breath the report states the foreign spending tax is to be a "temporary restraint . . . for two years." And with the next breath, a statement that it is a "firm policy to eliminate this restraint on travel as quickly as possible . . . as soon as our long-term measures to increase our receipts from travel and from our trade surplus permit." No mention of a two-year expiration date. In fact, now it's tied to our trade surplus!

We submit that when Treasury speaks of the results of "long-term measures," we are going beyond October 1, 1969. We predict that should Congress aprove the "temporary" foreign spending tax, Treasury will be back in the 91st Congress asking for a "temporary" extension of this "temporary" tax.

And why does the Administration propose to delete travel to the Western Hemisphere from its proscriptions? The Secretary states that most of each U.S. dollar spent in the Western Hemisphere comes back to the U.S. in one form or another. But he also admits that there does exist a "travel deficit" to the Western Hemisphere of from $400 to $500 million. As we see it, a travel deficit is a travel deficit; nothing more, nothing less. Thus, there appears neither a logical nor an economical distinction.

If this committee heeds no other of our cautions, let it not grant a carte blanche restriction on foreign travel. If the Administration's proposals must be implemented, at the very least they should certainly contain the expiration date of October 1, 1969, as submitted by the Treasury Department. If at that time conditions are so serious as to require a continuance of the measures, then the Congress should start anew in accordance with "due legislative process."

Duty-Free Reductions

Regarding the Administration's proposal for a sharp permanent reduction in the amount of duty-free gifts a traveler can bring or send home, we apparently have missed the point. To those who would say, "Every little bit helps," we say it is time for the Administration to "fish or cut bait." If this item creates a serious drain on our balance of payments—a fact which we doubt in view of the estimate that these proposed curbs would result in a return of only approximately $40 million—then why not remove the duty-free provisions entirely?

Before Congress considers restricting foreign travel by private citizens, it would be wise to place far greater emphasis on programs designed to attract foreign visitors to the U.S. Initially, studies show that here lies a virtually untapped source of dollars. But even more important, such a positive approach is in keeping with a country operating under the democratic system.

AH&MA "Positive" Approach to Balance of Payments

Members of the American Hotel & Motel Association are old hands at the positive approach of encouraging foreign travel to this country. Among the Associations' activities are:

(1) the People-to-People program;
(2) distribution of multi-lingual phrase booklets and guides;
(3) familiarization tours for foreign travel agents;
(4) foreign distribution of the hotel/motel Red Book—the lodging industry's travel handbook;
(5) trade missions overseas; and,
(6) advance hotel/motel registration arrangements for foreign travelers with three major U.S. international airlines.

This is the stuff that a favorable travel account is made of!

Positive Government Action Required

What can the government do? Less talk and more action! For starters, the Administration and the Congress should study and act upon the recommendations of the President's Industry-Government Special Task Force on Travel. Aside from the President's recent request for an easing of entry requirements, we know of no other "positive" action being taken to ease the payments problem. Again we say that before restrictions are placed on travel, every conceivable positive measure should be tried—Congress can take the first step by making certain that the U.S. Travel Service is properly funded.

We began our statement by saying: "We do not deny the gravity of the balance of payments deficit being experienced by the United States." Why then do we find it so difficult to accept the Administration's proposals? Simply because we do not believe the solution offered will solve the problem—at very most, the proposals tend to be aimed at symptoms rather than causes.

STATEMENT OF GEORGE F. KACHLEIN, JR., EXECUTIVE VICE-PRESIDENT, AMERICAN AUTOMOBILE ASSOCIATION

The American Automobile Association for many years has been working for freedom of travel across international boundaries while promoting tourism. This looks toward not only individual enjoyment, but also an interchange of peoples to bring about better understanding which can contribute to peace among nations.

Our association has had a long-standing policy concerning Federal taxes on travel, which reads:

"The AAA opposes the imposition of any Federal tax on travel as being not only a deterrent to travel but an unreasonable levy on the users of common carriers."

Because of this, we are unalterably opposed to the travel tax proposals under consideration. The American tourist should not be singled out as the scapegoat in a situation that is far more complex than alleged overspending in one isolated segment of the economy.

This tax proposal strikes hardest at the middle and lower income earners and could increase their travel costs an average of 30 per cent. It is also discriminatory in that it would penalize nations with which we have a favorable balance of trade. It would strike at under-developed and developing nations into which we already are pouring millions of dollars in foreign aid by removing the additional support of tourist dollars.

It is a blow to the traditional freedom of Americans to travel when and where they choose. The unrestricted right of Americans to travel abroad was just recently reaffirmed by the Supreme Court as a constitutional right.

It would drive many Americans into illicit methods of travel, such as bootlegging a trip overseas by embarking from a neighboring country.

It could affect other areas of currently favorable balance of trade, such as American aircraft and their spare parts which are used all over the world. Cancellation of orders would cause unemployment in these areas as well as in many fields of our own domestic travel industry.

This hastily-conceived proposal to tax the American traveler has in it one indication for good. It indicates the Federal Government has finally come to realize what a vast world-wide industry travel has been for many years, and its increasing importance to the economy of this particular country.

Another indication of that recognition lies in the Administration's acceptance as its own the Industry-Government Special Task Force on Travel's proposal for a 90-day visa waiver for tourists and businessmen visiting the United States from foreign countries. This, too, has long been urged by the American Automobile Association.

One of our long-standing resolutions in this respect reads:

"In order to assure the success of efforts to increase tourist traffic from other countries to the United States, we, as a nation, must develop an atmosphere of hospitality which begins the moment the prospective tourist arrives at the U. S. Embassy or Consulate abroad for his visa. Every means must be sought, consistent with our national security, to make it as simple and convenient as possible for foreign nationals to enter our country as temporary visitors. The AAA recommends amendment to the Immigration and Nationality Act, establishing a new 'tourist visa' category for 'an alien or a resident in a foreign country who desires to enter the U.S.A. as a tourist for a period not to exceed ninety days.' The amendment should provide for reciprocal privileges from other countries and for summary deportation in the event of violations."

We urge a more positive, constructive approach to this problem of the dollar gap. The logical solution to a growing deficit is an increase in the flow of dollars into this country. We appreciate the economics of trade with foreign countries. We are also aware that much of the trade with us by Europeans is financed with tourist dollars. It is in the national interest to maintain these economic relationships and to encourage new ones.

We support efforts of the Government to encourage travel in the United States, not only for economic but also for educational reasons. One of our resolutions reads:

"Improved economic conditions in the United States and in many nations have created a potential for increasing the volume of tourist travel in this country. The American Automobile Association supports efforts of the U.S. Government and the travel industry to stimulate more tourist traffic in the U.S.A., and urges affiliated clubs to give enthusiastic and active support to this program."

Until the details of the President's Task Force proposals have been carefully studied, we do not believe that any restrictive travel legislation should be passed.

Part of the dollar gap can be offset in a more positive way by the Government's efforts to do everything within its power to bring more travelers into the United States from other countries.

It's more than money that's needed. It's a coordinated, imaginative effort by Government, industry, and organizations such as our own.

SUMMARY

I. The American Automobile Association has a long-standing policy opposing Federal taxes on travel.

II. The American tourist should not be singled out as the scapegoat nor should we penalize countries with whom we have a favorable balance of trade.

III. Freedom to travel is a Constitutional right, which was only recently affirmed by the Supreme Court of the United States.

IV. AAA has long supported a "tourist visa".

V. We support efforts of the government to encourage travel in the U.S.

VI. AAA urges a coordinated, imaginative effort by Government, industry and organizations such as our own.

STATEMENT OF MURRAY VIDOCKLER, C.T.C., EXECUTIVE DIRECTOR OF TRAVEL MARKETING INSTITUTE

On behalf of the organizations and companies that I represent today, All State Bus Corp. and American Adventure Tours, New York City, I wish to completely object to any phase of the proposed travel restrictions and tax.

I find it difficult to object as I am a positive person, but the proposals of the Treasury Department are objectionable and violently negative.

The Treasury Department proposals are completely contrary to the principles of international trade, understanding of economic definitions, and the facts of the effects of tourism on the visited areas.

They do not comprehend the facts of the recent tremendous increase in tourism to the United States. The proposals declare war on the growing number of tourists coming to the virgin tourism territory of the U.S., the country with the best physical tourist plant in the world.

They also do not understand that the rate of growth of tourism to the U.S. is growing faster than the rate of tourism on a worldwide level.

They do not understand the fact that you cannot have partial travel to foreign nations. There is no balance of trade difference between travel to Europe, Africa, and Asia, as compared to South America, Canada, Mexico, and the

Caribbean. In fact, based only on the theoretically simple trade exchange in travel between any two nations, it would make more trade sense to declare economic warfare against Canada or Mexico, and possibly, both. Now, as to the misunderstanding of economic facts, travel is being listed as a part of the Balance of Payments, while we know travel between nations is interdependent and positive, and should not be listed as such.

The Balance of Trade (positive) is part of the Balance of Payments (negative), but not a part that is causing a negative Balance of Payments. We all know what the supposed negative items are.

However, my colleagues have made, and will continue to present, more facts about the effect on economies of foreign nations and the threat to American industry of restrictions. These retaliation threats range from less Visit U.S.A. travel and the non-purchase of our big airplanes to thousands of other items with a lack of earned dollar exchange which will prevent overseas purchases of American goods and, consequently, the loss of American jobs.

America must never be beaten down by these potential threats, but neither should we give in to half-truths, information based on assumptions, incorrect sampling, inadequate research, political beliefs, or personal feelings, which is the information we have been reading about lately.

Now to the restrictions against shopping for returning American tourists: It will be good for this year and next, if passed, but in future years, any such restrictions will result only in increased travel expenditures. Shopping is an inherent part of tourism. It is an exchange of cultures, customs, and concepts, as much as any art or studies. Tourists have a certain amount of disposable income to spend. Monies spent on shopping are monies of tourism diverted from the joys of "wine, women, and song." It will be spent instead of, not in addition to, travel expenditures.

The 5% tax, which will probably be a willing compromise of many of us who would surrender at the first shot, and will not effect the Balance of Trade, but will be another method of raising taxes, should not be discussed as Balance of Trade. The history of the tax is not too far in the dim past not to be remembered as devastating to the travel agencies in the border cities with Canada and Mexico. Such travel agencies represented the American community, and yet our biggest corporations and major airlines conspired to lie, purchase tickets over the border, and evade taxes.

The experience of many nations and tourism areas in taxing have demonstrated that if there is to be a nuisance tax such as the 5% tax on international transport, that instead it should be an airport and/or pier tax. And most important that this tax be used only for tourism promotion. Even the use of these monies for physical plant improvements is not to be recommended and certainly not for the United States.

In my opinion, the Internal Revenue Service has a very poor record of interpretation and administration of the present 5% tax on air transport. When the old anti-travel tax expired, the 5% tax was created as an excise tax. It was not meant to discriminate against American travel agents in the sale of domestic travel to eligible foreigners. But it did. This discriminated against the advent of American travel agents' slightest effort for Visit U.S.A. Tourism. In addition if this law is passed every traveler will feel that he will be subject to an authentic audit by the IRS.

Two years ago, I came home on Father's Day from a business trip to England. We parked, or rather double parked, in front of my apartment while I took the bags in. This resulted in a ticket.

When my wife went before the judge and said that it was given on Father's Day, and that I had just come back from Europe, his reply was, "If you can go to Europe, you can pay the full fine."

To tie travel taxes with income tax reports and internal revenue auditing is a threat to every American who honestly worries about his tax return.

To repeat, and I am speaking for All State Bus Corporation, and American Adventure Tours (pioneers in tourism sales to the United States) the Travel Marketing Institute (a non-profit association of marketing professionals in the travel industry) and the Brooklyn Association of Authorized Travel Agents, as well as the Travel Times (a consumer quarterly of over 150,000 circulation per issue)—the proposed taxes are negative. They range from incorrect, wrong, unnecessary, to objectionable, bad economics, terrible export selling, and economic immorality.

All this without even bringing into discussion the oft-repeated and sometimes forgotten beliefs of the United States and the United Nations that not

only is Tourism the passport for peace but that it is also an export industry with a built-in three for one economic multiplier (as originally proclaimed by Professor Samuelson in 1939). More importantly, the United Nations has put tremendous hope in Tourism as the catalyst for bringing undeveloped and developing nations into the modern world through trade.

Is the United Nations wrong in its hopes for Tourism as the economic seed for under-developed nations in the development of their infrastructure and of their dreams?

How well-known is it that France—another nation with a negative travel trade balance—has the fastest growing rate of tourism to the United States and that it may not be too long in the future before France will send us more tourists on a percentage of population basis than we will send to France?

The Export Industry in Tourism and Transportation is not understood by most people, including experts.

Transportation is a vital part of Travel and Tourism.

We all know that almost everywhere that people who travel by air travel on American planes.

Anytime anybody in the world travels on an American plane, he is making jobs in Washington or California or Michigan.

This is foreign trade. This is also Tourism.

But enough for negative defenses against a negative concept.

We would much rather fight on the side of the angels. The angels to us are the principles of international trade sided and abetted by the American concepts of modern marketing.

I offer the following program for a more vigorous campaign for Visit U.S.A. I say this as the head of a firm selling U.S.A. tourism since 1959 and which brought into the United States almost $10,000,000 of export sales of invisible tourism in 1967.

The program:

1. The C.A.B. must be stopped from its quasi-legal economic enslavement of American travel agents to the detriment of domestic tourism.

2. Extend and loosen up all non-tariff export barriers to aid Tourism: e.g., We first stopped asking female tourists if they were prostitutes in 1960.

3. Permit American travel agencies and airline ticket offices to sell tax free tickets where correct to eligible foreigner visitors.

4. Permit the sale to eligible foreigners of all special tariff tickets by United States agents.

5. Extend the role of the FCIA in financing Visit U.S.A. operators in the industry of "invisible exports."

6. Increase ten-fold the funds of the United States Travel Service.

A. But let the U.S.T.S. find out what its proper duties should be.

B. Possibly reshuffle its personnel.

The U.S.T.S. is properly a central part of government legal infrastructure on tourism, but it is also an idea and a communications vehicle. Who else could and should bring on and explain such "new" ideas as banks encouraging their commercial depositors to accept all foreign currencies and to guarantee any retailers' losses or errors.

Tourism is a major industry where all citizens may play a part in the manufacture of the product.

Personally, as a student and economist, I wish to commend the President and Treasurer of the U.S. for their crash program in lessons of international trade and the subject so dear to my heart—Tourism, the Invisible Export.

I wish to commend the McKinney Task Force, even though they did not understand my proposals or act on them.

They should be commended for the breadth of their efforts.

They should be commended for the depth of their efforts.

But mostly, they should be commended for their report on two levels:

1. An ability to communicate and to be a communications pipeline.

2. For their recognition of the economic, social, and moral values of congresses and conventions.

3. For their complete comprehension of the nature of non-tariff barriers in the export industry of Visit U.S.A.

I suggest the Task Force be continued for the next ten years.

We also support any activities of this committee and the other opponents of this tax in requesting a very thorough and proper study of this subject with all

of its economic and political ramifications. Those that are just Balance of Trade, and those that affect a nation's economy of our friends and allies, such as Australia, England, Italy, Israel, and Ireland. This must take time.

AUSTRIAN EMBASSY,
Washington, D.C., February 29, 1968.

Mr. JOHN M. MARTIN, Jr.,
Chief Counsel, Committee on Ways and Means,
Longworth House Office Building,
Washington, D.C.

DEAR MR. MARTIN: With reference to our telephone conversation on February 28, I should like to confirm that Mr. Mattesich, Director of the Austrian State Tourist Department in New York, is not a representative of an Agency of the Austrian Government. He represents the Austrian Association for the Promotion of Tourism which is not a Government agency but an institution established as a "Verein" (association) in accordance with the pertinent regulations of Austrian civil law.

The "Austrian State Tourist Department" is incorporated as a *private firm according to New York State law. Mr. Mattesich is an American citizen and pays taxes. From all this it can be seen that Mr. Mattesich does not have any official status in the United States and is not a representative of an Austrian Government agency.*

If any further information should be required please let me know.

Yours sincerely,

DR. GERALD HINTEREGGER,
Counselor.

STATEMENT OF R. F. MATTESICH, U.S. REPRESENTATIVE, AUSTRIAN STATE TOURIST DEPARTMENT, NEW YORK, N.Y.

SUMMARY

Restrictions, if imposed on American tourism outside the Western Hemisphere, would have grave consequences not only for the Austrian tourist industry which Americans themselves largely contributed to develop, but also for both U.S. trade to Austria and Austrian trade in general and consequently for the Austrian economy as a whole. Less measurable but not less important would be the negative consequences in the human, cultural and political fields, for both countries. A positive approach to reduce the U.S. travel deficit by luring more Europeans and Austrians to come to the United States rather than restricting travel of U.S. citizens abroad would be a much more satisfactory solution for all parties concerned.

The proposed travel restrictions could have grave consequences for American relations with Europe in general and Austria in particular. Tourist traffic not only is the major living link between Austria and the United States, it is of great importance for Austria's economy.

(1) Economic considerations for both countries

The Austrian balance of trade traditionally shows a structural deficit. In 1966 this decific was more than 640 Million Dollars. Net receipts from tourism, which amounted to more than 420 Million Dollars in 1966, traditionally cover most of this deficit. Since tourist traffic is the largest single Austrian "export item", a curtailment of Austria's net receipts from tourism could have effects detrimental to the Austrian economy: It would endanger Austria's ability to pay for its imports, including imports from the U.S.A., which are not balanced by corresponding export earnings and it would seriously affect the Austrian tourist industry which is a key industry for the country.

(a) Impact on U.S.-Austrian trade

Figures compiled by the U.S. Department of Commerce show that in 1966 303,000 Americans visited Austria, spending 36 Million Dollars there. Expenditure of Austrian tourists in the U.S.A. was and is modest. In general it can be said that the net earnings from U.S. tourism have compensated for Austria's unfavorable trade balance with the U.S.A. which in 1966 amounted to 24 Million Dollars; in other words, Austria, in the long run, cannot buy more from the United States than she earns from exports and tourism.

(b) U.S. involvement in developing the Austrian tourist industry

The American portion of the total Austrian tourist traffic may be relatively small in terms of numbers of tourists but it is a "quality traffic" for which special

facilites have been provided. These facilities were built for the greater part during the postwar reconstruction years under the Marshall Plan with ERP Funds. They represent in a certain sense an American public investment in Austria and, because of Austria's sensitive position during the period after World War II, contributed to Austria's economic and political stability. In the Austrian mind this investment of the American taxpayer stands for American good will.

It would be regrettable indeed if the very country, the U.S.A., which did so much in the immediate postwar period to help reconstruct and improve Austrian tourist facilities, would now adopt measures which would result in a serious setback in this particular field.

(*c*) *Secondary consequences for Austrian tourist industry*

The travel tax, if enacted, would be a serious setback to the entire Austrian tourist traffic. Whatever compensatory measures may be taken, fewer Americans will come; those who come will not stay as long. They will not be able to use the facilities designed primarily for their use. The economic result will be especially serious because there is no substitute for the American traffic. Internal conditions in Italy and Germany have caused a decline in the flow of tourists of those countries. Currency devaluations in certain European countries will undoubtedly also have negative consequences for Austria's tourism.

Even though the decline in American tourist traffic to Austria might be temporary, it will not be possible to speedily restore it afterwards. Tourist promotion is not only cumulative in its effect, so that interruption is very costly, but its success rests upon longtime reservoirs of good faith and good will. Bitter experience has shown that any break not only means intangible, permanent loss but entails a hard, new start. As the one who undertook to promote American traffic to Austria in 1927, and to rebuild it in 1947, the undersigned is only too familiar with the problems involved. Aside from technical advances, conditions today are not as favorable to reconstruction as they were in either 1927 or 1947.

(*d*) *Possible negative consequences for U.S. export trade to Austria*

U.S. export promotion, especially in Austria, a market requiring increased efforts by U.S. businessmen according to a recent U.S. Department of Commerce publication, also requires more U.S. businessmen to visit importers of U.S. products in Austria personally. As far as Austria is concerned, it is hard to see how she could justify to her people an unfavorable balance of payments, which the United States has herself deliberately created by curtailing American tourist traffic to Austria. As experience shows, a balance of payments deficit cannot be tolerated for a long time, Austria might be faced with the problem of reestablishing an equilibrium by appropriate measures.

(2) *Human, cultural and political consequences for both the U.S.A. and Austria*

(*a*) *Characteristics of the U.S. tourist in Austria, his interest for the arts*

The American visiting Austria is not usually an escapist vacationer bent on pleasure alone. He does not usually belong to the highest but rather to the middle or modest income brackets and to the professional classes. He goes to three major cultural centers of the country: Innsbruck, Salzburg, Vienna and their environs. A third of all American visitors go to the capital, Vienna, in the eastern and most distant part of the country. Seriously interested in music, art, history, folklore and/or sports, the American visitor attends the opera and the great summer music festivals. Most of these are government sponsored. As Americans represent 80% of the audience at many major performances, they benefit substantially from these cultural events of a particularly high level. The American tourist in Austria is highly selective, devoting himself to those Austrian attractions which are not only not available to him at home but are unavailable elsewhere, for Austrian "resources" include living evidences of world-cultural heritage that are unique.

(*b*) *American students*

Americans make up a substantial percentage of students at Austrian music schools, at art classes and summer schools in all subjects. American physicians attend special clinical seminars arranged for them by the American Medical Association in Vienna. Since many of the studies are intensely concentrated, such courses as a rule are short. Should a travel tax exemption for students be granted only on the basis of a longer period of study, participants in such concentrated courses would be excluded.

In addition the American visitor to Austria has a telling effect on Austria and her neighbors and brings back valuable benefits to the U.S.A.

(c) *American sportsmen and Austrian contribution to U.S. ski sports*

Americans constitute the largest group at the Austrian mountaineering schools, at many Austrian international winter sport resorts, Austrian ski training centers, etc. For 40 years, the promotion and development of the ski sport in the U.S.A., and of all that caters to it, has been carried on mainly by and through Americans who went to Austria and there experienced a way of enjoying winter that was formerly unknown in, but well adapted to the United States. Today skiing represents a very large American investment, but, far more important, it has brought millions of urban Americans into relation with the winter magnificence of their own country. This process was and today remains in its most creative aspects an American-Austrian contribution carried on by Americans who visit or are concerned with Austria and by Austrians concerned with America. This instance which is, of course, only one of many, is chosen because the undersigned [1] has been active in American ski sport promotion.

(d) *The American as the representative of the world's greatest democracy*

Austrian enthusiasm for America and things American is largely traceable to the sympathetic nature of the American tourist, his friendliness and proneness to make friends. The American tourist has truly exported to Austria the happiest features of the American way of life. To Austria, he epitomizes the citizen of the free world, the representative of a great democratic nation who works hard, makes a good living, is free to come and go as he pleases, to dispose freely of the product of his labor.

No doubt, limitations on the freedom of travel, the most visible aspect of the general idea of freedom, would do damage to the "American image" in Central Europe.

(3) *Positive approach to U.S. travel deficit*

In closing it should be noted that Austria has practically no restrictions on the amount of money her nationals may spend abroad, that many of them vacation abroad, that many are interested in visiting the United States. The Austrian tourist trade does not lack in interest to provide and sell travel to the United States. Many practical measures to set traffic flowing from Austria to the United States are ready at hand; *yet no serious effort has so far been made to attract Austrian travelers to the United States.*

Such a positive approach, rather than restricting travel of U.S. citizens abroad would be a much more satisfactory solution for all parties concerned.

DEPARTMENT OF STATE, ASSISTANT SECRETARY,
March 21, 1968.

Hon. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
House of Representatives.

The attached communication was received in the State Department via the Irish Embassy, with the request that it be delivered to the Committee.

H. G. TORBERT, JR.,
Deputy.

Attachment:

Letter and memorandum to Hon. Wilbur D. Mills from Dr. Timothy J. O'Driscoll and Mr. Onno Leebaert dated February 27, 1968 (European Travel Commission).

EUROPEAN TRAVEL COMMISSION,
New York, N.Y., February 27, 1968.

Hon. WILBUR D. MILLS,
Chairman, Committee on Ways and Means, Longworth House Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: The European Travel Commission is comprised of the national tourist organizations of all 21 Western European countries: Austria, Belgium, Denmark, Finland, France, Germany, Great Britain, Greece, Iceland, Ireland, Italy, Luxembourg, Monaco, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey and Yugoslavia.

The Commission, meeting at The Hague on February 2, 1968, decided to put in writing a declaration of principles or credo of tourism. In the hope that this declaration will be of interest and value to the Honorable Members of the House Ways and Means Committee, we are forwarding it herewith and respectfully

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[1] R. F. Maltesch, president, Ski Touring Council; chairman, Ski Mountaineering Committee, U.S. Ski Association.

requesting that it be made part of the official record of the current hearings on tourism.

The Commission has assured the Government-Industry Task Force under Ambassador McKinney of its full desire and ability to cooperate in promoting a higher two-way level of travel between Europe and the United States.

Respectfully,

TIMOTHY J. O'DRISCOLL,
President, European Travel Commission,
(Director General, Irish Tourist Board).
ONNO LEEBAERT,
Chairman, European Travel Commission (United States),
(Director for North America, Netherlands National Tourist Office).

EUROPEAN TRAVEL COMMISSION

FREEDOM TO TRAVEL

1. The freedom of travel is recognized as a basic freedom of man in the Universal Declaration of Human Rights approved by the United Nations. Heads of states have reiterated their belief in the value of exchange of people through tourism. The United Nations Conference on International Travel and Tourism, held in Rome in 1963. re-affirmed the ideal of freedom of movement without restriction or discrimination. The traditional right to travel freely has a particular importance for citizens of the United States.

2. Tourism builds friendly relations between peoples and such exchanges should not be inhibited because world peace depends so much on international understanding. Reducing these exchanges would feed distrust among peoples. In recent years, happily, much progress has been made in making travel easier and cheaper. To reverse this trend would be a retrograde step.

3. Tourism is a vital medium of communication, more important than broadcasting or the press because it involves direct human contact. Its importance is underlined by the fact that people who travel play an active role in forming public opinon in their own countries.

4. International tourism, valued at about $15 billion a year, is the largest single item in world trade, providing employment for nearly ten million people in OECD member countries alone. Of this number, a substantial proportion represents relatively unskilled labor, which underlines the socio-economic values of the industry.

5. Tourism helps to generate a higher level of world trade, contributing to rising standards of living. Its special importance as a stimulus to the economies of developing countries is widely recognized.

6. The jobs created by tourism help to generate incomes which would not otherwise be earned. These incomes in themselves have a high multiplier effect through national economies since tourist revenue has an exceptionally high rate of circulation through the economy. One factor illustrating this is that the people deriving their incomes through tourism are at the lower end of the wage scale and therefore tend to spend a large proportion of their wages.

7. National economies benefit from investment in accommodation, resort areas, transportation and other tourist facilities and services. Such investment depends to a large extent on the anticipated demand for increased services arising from growth in tourism. As an example, current annual investment by European airlines for aircraft manufactured in the U.S.A. is equal to approximately the total annual income from American tourist spending in Europe. World trade can only be increased significantly if goods and services are allowed to flow as freely as possible between the countries of the world. This will cause certain countries at certain times to run into balance of payments difficulties, but the imbalance should be corrected by encouraging exports, which in the case of tourism means encouraging visitors from abroad.

8. A small number of the most prosperous countries in the world for some years have had an adverse balance of payments with respect to travel. Some of these countries run permanent deficits in travel payments, as they do with other individual items of trade, depending on their natural resources. Some countries, for instance, import all the oil and coffee they consume. As the United Nations Conference on Tourism confirmed, travel spending by the residents of the more prosperous countries has provided considerable support for a high level of world trade, helping to correct inequalities in balance of payments which the movement of goods alone could not achieve. As an example, European countries in total have for years run a deficit in the balance of payments arising from trade in

goods with the U.S.A. far exceeding the surplus arising from tourist payments. It is important for nations to earn large surpluses on a few items of trade, of which tourism is one, to enable them to import the capital and consumer goods from more developed nations. Restrictions on tourism lead to unemployment and falling incomes, which in turn result in a lower demand for the exports of developed nations.

9. Tourism, as the biggest single item of world trade visible and invisible, should be recognized as an integral part of international trade and should not be singled out for restrictive treatment. In recent years world trade, except for the exchange of services, has been encouraged by governments by the removal of restrictions, tariffs and other discriminatory practices through international agreements. Under these agreements governments cannot arbitrarily limit the import of merchandise, including such items as detergents, liquor and tobacco. Travel by nationals of any country to foreign destinations is, in economic terms, classified as an import. Each year greater progress is made in the removal of restrictions on the exchange of goods. In contrast, the exchange of people through tourism remains one of the few major items of world trade wihch can be singled out for restriction without any infringement of binding international agreements.

10. Of the countries which account for a substantial part of world travel spending one has imposed and the other is considering travel restrictions. Since travel is one important item of trade which governments may restrict at will, should the United States as the leader in world tourism institute restrictions, this example might well be followed by other countries with travel deficits, not on any basis of retaliation against the United States because such measures would be of general application. But the effect would be that such action by a small number of countries would have a significantly contracting and depressing effect on the economy of the world. A major part of international tourism consists of travel within Europe, within North America, or between the two areas. Furthermore, a substantial proportion of tourism movement originates from relatively wealthy northern industrial areas in Europe and North America, resulting in heavy visitor spending in relatively under-populated and poorer regions.

11. Therefore, the European Travel Commission reiterates the recommendations of the United Nations Conference in 1963 that—

(*a*) governments should not consider tourism from its balance of payments aspect alone but should take into account the contribution which tourism makes to international trade by developing the national economy and enhancing social values;

(*b*) in any attempt to improve an adverse balance of payments, restrictions on tourism should not be singled out as the effective corrective measure.

12. The Commission further recommends—

(*a*) that tourism should be considered by governments as an important and integral part of world trade and that measures taken to develop the exchange of merchandise and commodities by increasing the freedom to trade should be applied to tourism;

(*b*) that countries should seek improvement in their balance of payments situation by encouraging and promoting incoming foreign tourist traffic, thus contributing to an expanding level of trade. Such action applies particularly to Western European and North American countries owing to their dominant share of world tourism, the potential which exists in both areas for travel expansion and the proved effectiveness of travel promotional activity when carried out on the appropriate scale. Negative measures could well have to be re-applied later while positive measures would represent a cumulative gain from their inception.

13. Members of the European Travel Commission offer full support and the benefit of their own experience in developing two-way travel across the Atlantic on the basis of free movement of travelers. They echo the words of President Johnson that travel "is worthy of our highest efforts and the unqualified cooperation of all nations."

STATEMENT OF ERIC FRIEDHEIM, EDITOR AND PUBLISHER, TRAVEL AGENT MAGAZINE, INTERLINE REPORTER

As a travel journalist and publisher of several travel industry magazines, I wish to commend Chairman Mills and members of the House Ways and Means Committee for giving all persons and organizations interested in the pending travel tax legislation full opportunity to state their position.

Having attended some of the hearings and having read nearly all the presentations, I would like to offer only a brief comment in opposition to the restrictions proposed by the Administration.

I believe the testimony and briefs by those speaking for the travel business and that offered by many other witnesses have built a solid case against imposition of any tax that will virtually halt tourism to the nations of the Eastern Hemisphere. The Committee hearing record, in my opinion, now contains sufficient documentation by competent authorities proving the fallacy of severe restraints proposed by the Treasury Department.

Even before your Committee has completed action on the pending legislation, substantial losses have been reported throughout the travel industry. A survey of tour operators, retail agents and international airlines shows widespread cancellation of individual bookings and diversion of many groups to Western Hemisphere destinations. Those groups unable to obtain accommodations within this region have abandoned their travel plans for this year. There has been a large decline in forward bookings to Europe, Israel, Middle East, Asia and the Pacific ever since New Year's Day when President Johnson called for a reduction in American overseas tourist spending.

This drop in passenger traffic comes in the face of widespread criticism of the proposals. Newspaper editorial opinion across the nation has been almost unanimous in opposition. Letters to the editor as well as public statements by many members of the House and Senate decry any curbs on freedom to travel.

Despite these expressions of distaste for what the public obviously considers an obnoxious interference in their rights as citizens, some people are afraid to travel because their patriotism may be held up to question. While neither the President nor the Treasury has actually suggested anyone would be committing a disloyal act by making a pleasure trip outside our Hemisphere, a substantial number of Americans apparently fear the risk of being stigmatized.

There are, of course, many others who agree that tourist expenditures in the Eastern Hemisphere are a major cause of our balance of payments problems and sincerely believe the administration is following a sound policy in limiting such spending to the United States, the West Indies, Bermuda, Bahamas and Latin America. Various industrial companies and other organizations closely associated with government also are either cancelling employee tours and incentive group travel or seeking alternate destinations.

Also contributing to the adverse situation is the fact that a number of potential travelers are of the impression that a trip abroad already is taxable or even against the law. We are receiving reports from Western Hemisphere areas that this misconception is having an affect on their tourist trade.

While it is too early to obtain conclusive figures forward bookings are off as much as 60 per cent in the case of some travel agencies. Possibly some of this loss will be recaptured once Congress has completed action on the travel legislation but from past experience a considerable portion must be written off for this year even if no restraints are imposed.

Interrogation of witnesses and private comments by members of your Committee, has given the impression that a compromise measure may be reported. I join my travel industry colleagues in the hope that this will be the very least we may expect. But even if Congress rejects any form of travel tax, American tourist expenditures are certain to decline this year simply because of the psychological influence of the President's statements.

Paradoxically, the Administration is said to favor unrestricted American travel provided everyone spends a little less. If this is true, both the President and the House Ways and Means Committee may see fit to redress some of the psychological injury. For his part, Mr. Johnson should dispel the notion that a trip beyond the Western Hemisphere is unpatriotic. At the same time the Committee, in any report it makes, may wish to stress to Congress and the nation that regardless of whatever tax is recommended, travel remains an inalienable privilege of every free American and that there can be no reflection on his loyalty should he exercise this inherent right.

STATEMENT OF NATIONAL ASSOCIATION OF MANUFACTURERS

As part of its balance-of-payments program the Administration has proposed taxes on foreign travel and transportation and a tightening of customs exemptions. This package is purported to reduce the balance-of-payments deficit by about $400 million annually.

In this statement, the NAM will concentrate its comments on the tax aspects of the proposals requiring new legislation. These are: (1) a temporary tax on per diem living expenses of U.S. travelers going outside the Western Hemisphere amounting to 15% on outlays between $7 and $15 and 30% on outlays above $15; and (2), a permanent extension of the 5% excise tax on domestic air travel to all international air travel and a temporary extension to sea travel outside the Western Hemisphere.

As presented by the Administration, the only travel tax exemptions would apply to business and educational travel of over 120 days, individuals who establish foreign residence and U.S. Government travel.

The NAM is opposed to such tax measures on the grounds that they:

Represent another step in the drift toward foreign exchange controls and restrictions on the market economy.

Are inconsistent with the government's own policy principles regarding international trade, could invite retaliatory measures abroad, and in many cases involve illusory balance-of-payments savings.

Risk a marring of a good record of voluntary compliance with the tax laws.

Do not relate to the basic cause of the balance-of-payments problem.

In his testimony before this Committee on February 5th, the Secretary of the Treasury said that ". . . the long-term solution to the travel deficit should not be found through restrictive measures, but must be sought through the expansion in the number of foreign visitors to the United States." We heartily concur with this sentiment. The difficulty is that reliance on the long-term approach is apt to be put off indefinitely once restrictive measures have been accepted as short-term expedients.

The whole history of economic controls and tax restrictions strongly indicates that such expedients translate into more rigid, more widespread, and long lasting impediments to the market economy. This has applied particularly with respect to international transactions; witness the steady tightening and spread in coverage of the interest equalization tax and controls over foreign investment.

Even in the case of limited controls that appear to be accomplishing their objectives, there is always the tendency to make them more stringent, to force more complete compliance with their objectivity. Despite general agreement that industry was responding to the former "voluntary" restrictions on foreign investment, mandatory controls are now a fact. There are ample precedents for fear that a "temporary" and "moderate" tax on tourist and business travel abroad could escalate easily to a much more burdensome tax restriction, absolute limits on dollars taken out of the country, or some combination of prohibitions.

Admittedly, in the narrow balance-of-payments accounting there is some logic in levying a tax on the travel sector. For many years Americans have gone abroad in greater numbers and spent more money than their foreign counterparts have done in the U.S. In short, there is an identifiable travel "deficit" estimated at around $2 billion last year of which approximately two-thirds can be attributed to non-Western Hemisphere areas.

However, there are serious defects in applying too narrow a statistical framework—in fragmentation of the balance-of-payments problem—for purposes of corrective action. In the case of direct investment abroad, restrictions have been placed on an observable outflow of funds, even though, in fact, these funds finance a substantial part of our merchandise exports and are responsible for a much larger return flow of repatriated income. The excess of direct investment income over capital outflow for the period 1946–1967 has amounted to over $16 billion. Furthermore, this excess has been steadily widening.

With respect to travel expenditures, a large share of business spending is associated with efforts to strengthen our export and investment position. It is estimated that over 50% of American travel spending in European and Mediterranean countries is for business, educational, scientific and other non-pleasure purposes. Restrictions on such travel could have a quite unintended adverse effect on the balance-of-payments.

One of the most immediate repercussions of a travel tax would be a likely reduction in the export of aircraft and aircraft parts. Foreign purchases of U.S. commercial aircraft have been running at an annual rate of $1 billion. To tax the most important segment of the international passenger market and therefore to depress international air travel in general invites a marked slowdown in an improtant area of commercial exports.

The Administration does not appear too concerned over the possibility of retaliatory measures by foreign countries. It is inconsistent, however, to re-

emphasize a program to attract more foreign visitors to the U.S. and at the same time impose a tax on U.S. travel abroad. Certainly, such a tax would complicate and endanger negotiations seeking to minimize the discriminatory aspects of tax systems in the EEC countries with respect to U.S. goods. Even if there is no overt retaliation, the travel tax, if it does cut down on dollar spending abroad, would restrict foreign countries' ability to obtain U.S. exports. For some less developed areas, travel income is virtually the only means of earning dollars to buy U.S. goods.

Tourist spending abroad is equivalent to the importation of vacations by American consumers. A tax designed to penalize and curtail such activity is, hence, equivalent to a protective tariff on the importation of vacations. It is a protective tariff with some peculiar and complicating features.

As far as we know, the domestic vacation industry has not asked the government for such tariff protection. But what is even stranger is the fact that the Administration itself consistently has denounced the idea that we should seek to correct the balance-of-payments deficit by protective tariffs or quotas. If the government is to violate its own principle, it seems strangest of all that it do so in respect to the vacation industry. Is the domestic vacation industry more essential to national security than the steel, glass or textile industries—on which tariff or quota protection has been refused?

The NAM is also concerned about the mechanics of the proposed travel tax and their implications for tax compliance in general. The recommended system of deposits, declarations, and graduation of rates would inevitably involve a burdensome bureaucratic procedure and inconvenience for essential as well as pleasure travel. The administrative expense would be high. The arbitrary discrimination in tax liability between the Washington Hemisphere and other countries would be an invitation to evasion.

Also, the exemption from tax liability of business travel of over 120 days is entirely arbitrary. If a travel tax is imposed, it would make far better sense to make a blanket exemption for all business expenses. At least in this way the tax would be concentrated on the pleasure travel sector. As indicated earlier, business travel, in particular, does not necessarily mean a net drain on the balance-of-payments. If government travel in "official capacity" would receive an exemption, businessmen should obtain the same exemption when traveling in their "official capacity."

Both the travel tax proposal and the foreign investment controls have been criticized rightly for not dealing with the fundamentals of the problem. The fundamental balance-of-payments problem is, of course, a continuing large deficit in the government account—through government expenditures abroad—which more than offsets the net contribution of exports and investment income in the private account. Over the long-run, some means must be found to limit the public sector outflows, at least to the amount of inflows earned by the private sector.

Short of a quick settlement in Vietnam, our present global commitments would appear to rule out any great improvement in the government's account at this time. If we are to maintain those commitments, there are three principal alternatives for attacking the basic balance-of-payments problem:

1. Proliferation of direct controls and restrictive measures.
2. Devaluation or suspension of gold convertibility.
3. Fiscal and monetary restraint at home.

The first is the course we are now traveling and which, for reasons cited before, is an undesirable course.

The second is what quite a few suspect will eventually occur. However, it would take an event of proportions not imaginable in the immediate future for this country to accept devaluation or scrapping of the fixed exchange rate system.

The third alternative is referred to as the "classic" response whereby the nation suffering a serious balance-of-payments deficit adopts a hard line to control domestic inflation, keep interest rates high, and improve its export-import position relative to other countries. In the early 1960's, when the balance-of-payments became an issue of concern in this country, the U.S. refused to follow this line on the grounds that it would mean more stagnation of the U.S. economy.

Under the present circumstances of full employment and accelerating inflation, however, fiscal and monetary restraint *are particularly appropriate for both balance-of-payments and domestic policy considerations.* And this has been admitted by the Administration in its arguments for the income tax surcharge. But with the projected substantial growth of government spending for fiscal 1969 the surchase in itself can hardly be considered a sufficient signal of our determination to meet the balance-of-payments problem.

To move as quickly as possible to a position of budget balance through much more rigorous control of domestic spending policies and a reduction in the rate of growth of the money supply through a less expansionary monetary policy would have a salutory effect on our international accounts. Any dampening of domestic inflation would help us improve our competitive position in world markets. It is particularly important now because inflationary excesses of fiscal and monetary policy in the recent past have boosted imports and led to a serious shrinkage in our trade surplus.

Fiscal and monetary discipline would not, in all probability, completely stop the dollar drain overseas—as long as the Vietnam War continues as a major factor. However, it would serve as the best evidence that the U.S. is determined to maintain a sound currency and give foreign holders of dollars the all-important confidence to hold on to them instead of converting to gold.

Such a policy would be far preferable to a jerry-built structure of controls and tax restrictions, which eventually cannot help but clog the channels of international trade and seriously damage market economies both here and abroad.

STATEMENT OF JAY H. CERF, MANAGER, INTERNATIONAL GROUP, CHAMBER OF COMMERCE OF THE UNITED STATES

The Chamber of Commerce of the United States opposes the administration's proposal before the House Committee on Ways and Means to impose tax restraints on U.S. travelers. The National Chamber is a federation of chambers of commerce and trade and professional associations, with an underlying membership of some 4,500,000 individuals and firms.

Opposition with respect to certain aspects of the administration's balance of payments program was re-emphasized at the February 22 meeting of the National Chamber's Board of Directors. The Board called for avoidance of new devices which would interfere with the normal healthy flow of international trade, investment and travel. Long-standing Chamber policies include support of measures assuring maximum freedom of international travel consistent with national security.

Opposition to the restraints is further directed at specific aspects of the proposed measures. First, not only would imposition of travel restraints interfere with individual rights but any system set up to administer and enforce such regulations would necessarily be exceedingly cumbersome and complicated. Compliance would be burdensome to government administrators and travelers alike. Second, the elements of the private sector of the balance of payments ledger (investment, trade, and travel) are interrelated. Surgery cannot be administered to one element without affecting others. Any immediate "improvement" in the United States travel account apparently resulting from the restraint program could not be regarded as a net gain for several reasons:

a. The U.S. export promotion effort would not be helped by taxing overseas business trips.

b. The portion of the travel deficit caused by non-business pleasure spending in areas outside the Western Hemisphere was just in excess of $500 million in 1967. *However*, most of the countries concerned are running a deficit in their total trade with the U.S., i.e., the U.S. has been earning more in sales to them than we have been spending on imports from them. This increases the likelihood that any diminution of their dollar inflow will be counterbalanced by reduced purchases from this country, not to speak of the danger of sparking trade restriction retaliation. This is particularly true of countries which rely heavily upon their American tourist trade to help reduce *their* balance of trade deficits with the United States.

c. The portion of the $1,895 million 1967 travel deficit accounted for by expenditures on foreign transportation must be balanced against such U.S. export earnings as foreign purchases of U.S. aircraft and parts by overseas airlines, in addition to the administrative and advertising expenditures within the U.S. by foreign travel and transportation interests.

Third, according to Department of Commerce officials, about one half of the $720 million deterioration in the fourth quarter 1967 U.S. trade balance, which provoked the restraint program, was due to *rising demand in the U.S. economy.* This growing inflationary pressure in the economy can only increase by diversion of significant amounts of overseas tourist spending back into the United

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.

BORDER TAXES

The Chicago Association of Commerce and Industry is opposed to the enactment of border taxes on the import and export of goods and services, which are supposed to act as a simultaneous deterrent to imports and encouragement of exports.

The enactment of border taxes by the United States might cause retaliatory action by other countries, particularly those relying heavily on exports. The retaliatory border taxes which could result might decrease the export of United States goods and services, hamper world-wide economic growth and trade, and nullify the Kennedy Round of tariff reductions. Attempts should continue to be made to decrease the obstructions to foreign trade rather than to increase them.

The nature of the Uinted States tax system makes it difficult to derive a suitable border tax system that will meet the requirements of the General Agreement on Tariffs and Trades.

FOREIGN DIRECT INVESTMENT PROGRAM

The Chicago Association of Commerce and Industry is opposed to Presidential Executive Order 11386 governing foreign investments.

A reduction in foreign investments by American industry will have an adverse effect on our balance of payments in both the short and long run. In the immediate future American exports will be reduced and in the long run foreign investments will have made substantial positive contributions to United States reserves. American industry will be unable to modernize its foreign operations and keep pace with the expansion of foreign competitors. Accordingly, American products which are being further processed and/or sold abroad by foreign affiliates will not be able to compete in the foreign market place.

The Foreign Direct Investment Program forces repatriation of earnings by foreign affiliates of United States investors. Repatriation of earnings will weaken the capital structure of many foreign affiliates. Accordingly, the foreign affiliate will be put at a serious competitive disadvantage, and vital dollar-earning markets may be lost.

The repatriation formula and limitations on foreign investment penalizes modst severely those United States investors who cooperated voluntarily with the administration by holding down foreign investments and repatriating earnings during the past four years. In addition, the forced repatriation of earnings can have severe Federal income tax consequences.

Restrictions on foreign investments by United States investors will discourage economic growth abroad and may cause foreign governments to limit repatriation of foreign earnings to the United States to avoid a serious capital outflow.

The Chicago Association of Commerce and Industry recommends that the United States Government return to a voluntary program of restraining direct foreign investments and instead of the proposed program, offer tax incentives to United States investors who voluntarily repatriate foreign earnings.

SUMMARY

The favorable effects, if any, of the President's program on our balance of payments will be temporary only and after the restrictions are lifted on foreign investments and foreign travel. American industry will have to make large foreign capital investments to modernize plants, expand, etc., and tourists will renew their plans for foreign travel. Accordingly, the President's program will merely temporarily hold back, or dam up, the outflow of dollars. If the restrictions are not removed, the earnings from foreign investments will be lost and the balance of payments will deteriorate further. The United Kingdom has used various restrictions in the past, but they have not solved the problem over a long period of time.

The Association reaffirms its earlier position that what we need is a balanced budget together with reduced foreign and domestic spending by the government in order to curtail inflation and reduce our balance of payments problem.

CHICAGO, ILL., *February 19, 1968.*

HON. WILBUR D. MILLS,
House Office Building,
Washington, D.C.:

The International Trade Club of Chicago, with 800 members representing 700 firms and organized to expand the international commerce of the United States, strongly opposes inclusion of legitimate business travel in any proposed tax or other restriction on foreign travel.

The imposition of tax on sales trips outside the Western Hemisphere would blunt the administration's export expansion drive, by penalizing U.S. businessmen for going abroad to seek new markets for increased exports to improve our balance of payments position. It is doubtful whether the proposed travel restrictions in their entirety would substantially alleviate the international payments problem.

ROBERT G. BIESEL,
President, International Trade Club of Chicago.

COMMERCE AND INDUSTRY ASSOCIATION OF NEW YORK,
New York, N.Y., February 16, 1968.

HON. WILBUR D. MILLS,
Chairman, House Committee on Ways and Means,
House Office Building,
Washington, D.C.

DEAR MR. CHAIRMAN: The Commerce and Industry Association opposes the proposal on which your Committee is scheduled to hold hearings next week calling for the imposition of taxes on American citizens traveling outside the Western Hemisphere. Adopting this measure would indicate that our country has turned to a negative philosophy of economic isolation.

This Association represents the general business community in metropolitan New York, and our membership of 3,500 firms includes this country's largest group of business organizations involved in world trade. A great many of our members and a number of our staff executives, including myself, are active in the President's Regional Export Expansion Council. As such, we are well aware of the economic problems facing this nation. We are equally convinced, however, that the solution to these problems will be found through a more constructive approach.

While there is a balance-of-payments deficit, net exports from the United States last year totaled more than $30 billion—well over $4 billion in excess of merchandise imports. Clearly, the deficit is not created by a dollar trade imbalance. As a matter of fact, one of the few bright spots in the balance-of-payments picture is the large export trade surplus the U.S. has maintained.

Business representatives frequently must travel abroad to expand the market for their products, yet the proposed travel taxes would also affect businessmen on overseas trips of less than 120 consecutive days. This is an obvious deterrent to stimulating our own international trade. Adding an excise tax to the cost of airline and steamship tickets and radically reducing the duty-free allowance for returning residents are equally questionable measures.

The travel tax and allied proposals ultimately might depress the economy, especially in New York and other gateway cities in the United States which depend heavily on trade and travel activities.

Also, a drastic cutback in the number of American tourists visiting Western European countries in particular would seriously affect their economies, with a consequent loss of good will to the United States and provocation to retaliatory action.

This Association firmly believes that it would be a serious mistake to restrict mobility of Americans by limiting or taxing the amount of money they spend abroad. The proposal is totally inconsistent with long standing U.S. policy of free movement of people and goods. Because it will discourage economic growth it should be promptly rejected.

Instead of penalizing American tourists and particularly business travelers, we urge a positive program to ease the balance-of-payments problem. This would include aggressively exploring every conceivable avenue by which more goods and services could be delivered abroad, along with a broad campaign to stimulate tourism to this country so as to generate the needed exchange.

Sincerely,

RALPH C. GROSS, *President.*

KENTUCKIANA WORLD COMMERCE COUNCIL, INC.,
Louisville, Ky., February 16, 1968.

Congressman WILBUR D. MILLS,
Chairman, Ways and Means Committee,
Room 1136 Longworth Building,
Washington, D.C.

DEAR CONGRESSMAN MILLS: The Kentuckiana World Commerce Council is an organization incorporated under the laws of Kentucky, whose voting membership is composed of forty-four individuals and corporations actively engaged in some phase of international commerce. By a majority vote of nineteen to one of the voting membership assembled and present at its February 6 meeting, the Council wishes to go on record in opposition to the proposals advanced by the President which call for taxation on spending by Americans traveling outside the western hemisphere in an amount exceeding $7 per day. Coupled with this, but somewhat less onerous, is a tax on air and ship fares and reduction on duty-free allowances.

Enactment of these proposals would abrogate the right of the individual to travel without interference from government and would further bring about the following ills:

1. The challenge to circumvent these regulation would be similar to public reaction to prohibition and thus defeat the purpose of the provision.
2. The accounting requirements for departing travelers (and their subsequent return) would necessitate more customs personnel at international gateways, with more forms to fill out, which would lead to a massive and costly administrative expense. (This expense may absorb a substantial part of the results gained by the provisions if enacted).
3. The United States may lose far more in its international receipts due to foreign reprisals.

United States' international payments also include overseas military expenditures and U.S. Government foreign aid. No effort seems to have been made to reduce these segments on the payment side of the ledger, but rather the proposed discriminatory measures seemingly disregard these other elements in the balance-of-payment problem.

As an alternative, the following measures should be given more priority than the restrictive measures proposed:

1. The private and government sectors should vigorously promote greater travel to the U.S.
2. Reduce air fares to the U.S.
3. Make counterpart funds available to American travelers.

The Kentuckiana World Commerce Council urges complete rejection of the restrictive measures proposed and adoption of the alternative ideas suggested.

Very truly yours,

WILLIAM E. BENNETT, *President.*

STATEMENT OF AMERICAN TOURIST CAR DELIVERY TAX COMMITTEE

This statement is submitted by the American Tourist Car Delivery Tax Committee, whose membership is composed of a number of U.S. companies in the business of ordering foreign automobiles for delivery to American tourists while traveling abroad. This service is an important activity of hundreds of companies in the United States, and constitutes the primary activity of the Committee's members.

The technical explanation of the travel tax program prepared by the Treasury Department states that the proposed travel tax would be imposed upon the entire amount spent by a tourist to purchase an automobile abroad. All, or at least the greatest part, of that amount would be taxed at 30% rate.

The purpose of this statement is to show that—

I. The entire travel tax program would be self-defeating and otherwise harmful to the national interest, discriminatory and impracticable.

II. Application of the tax to the entire amount of the tourist car purchase price would not deter travel, would be likely to result in an increased dollar outflow, and would have a discriminatory and unjustifiably harsh impact both on the companies engaged in tourist car delivery services and the tourist.

III. Even if the Ways and Means Committee decides to impose a travel tax on cars delivered abroad, it should apply the tax only to the rental value reasonably attributable to use of the car as a means of travel abroad and not to the entire purchase price.

I. THE TRAVEL TAX WOULD BE SELF-DEFEATING AND HARMFUL TO OTHER IMPORTANT NATIONAL GOALS

So much justifiable criticism has been levelled at the proposed travel tax program from so many corners that we feel it will suffice merely to review briefly why the program is ill-advised.

A. The program would be self-defeating

The sole justification for the travel tax program is to achieve a reduction of our nation's balance of payments deficit. The administration, however, has been unable to make a convincing case that the program would have this effect. Indeed, much of the evidence points the other way:

1. The program, by reducing the tourist dollars which many foreign countries use to pay for United States goods and services, would lead to at least some reduction in our exports.

2. The program would be likely to bring injurious retaliation by foreign governments, thus decreasing the flow of foreign exchange to this country.

3. The program would so clearly deter travel abroad, including air travel, that it would be likely to result in cancellation of a large portion of the almost 2.5 billion dollars in aircraft orders placed with U.S. manufacturers by foreign carriers.

In short, it is doubtful that the travel program would have a significant positive impact on our balance of payments problem—certainly not significant enough to overcome its serious drawbacks.

B. The travel tax would be contrary to our goal of encouraging international understanding and cultural exchange through travel

This country, as a member of the world community, has a continuing interest in fostering the cross-fertilization of ideas among citizens of different countries as an aid to international understanding. The travel tax would interfere with this important goal. It would curb travel by students and teachers. It would reduce cultural exchanges, so often heralded by recent administrations. It is difficult to measure this loss in international understanding and enlightenment, but it obviously carries a heavy price.

C. The travel tax would discriminate unfairly against one segment of our economy—the travel industry

The balance of payments problem is a problem faced by the country as a whole. It is unfair to seek to place a major portion of the burden of meeting this problem on the travel industry, which represents but a small segment of our economy. The result of using such a narrow approach would be to cause unusual hardship, dislocation, and financial difficulty for a small group of companies, some of whom would be forced out of business. In the interest of equity, the proposals for meeting our balance of payments problem should have a broad-based and diffuse impact throughout our economy so that the burden does not fall unfairly on any one group.

D. The travel tax would bear most heavily on our citizens with low and moderate incomes

Although the proposed travel tax is a graduated tax, its deterrent effect would, as a practical matter, be felt by people with low and moderate incomes. It would not deter the wealthy from travel; rather, it would be the factor which prevents trips by those to whom foreign travel is an unusual once-in-a-lifetime experience, and whose ability to make a trip at all involves a borderline financial decision.

E. The travel tax would create an onerous administrtive burden

The travel tax program would be extremely burdensome in operation, both for taxpayers and the government. The complexity of the scheme and the paperwork required of taxpayers, backed by threats of penalties, is inconsistent with our traditional notions of freedom to travel. Moreover, if reasonable compliance is to be achieved, the audit and enforcement burdens falling on the government will be severe.

In view of all the considerations discussed above, we urge the Committee on Ways and Means to reject the proposed travel tax *in toto*.

II. APPLICATION OF THE TRAVEL TAX TO FOREIGN AUTOMOBILES PURCHASED BY AMERICAN TOURISTS WOULD NOT DETER TRAVEL, WOULD INCREASE THE DOLLAR OUTFLOW, AND WOULD HAVE A DISCRIMINATORY AND UNJUSTIFIABLY HARSH IMPACT

Even if the Ways and Means Committee should decide that a travel tax program is necessary, it should review separately the question of whether the purchase price of foreign automobiles delivered abroad should be made subject to the tax.

Since the only goal of a travel tax program is reduction of our balance of payments deficit, the travel tax should not be imposed on the purchase of automobiles for delivery abroad unless such imposition would deter foreign travel or otherwise serve to reduce the dollar outflow. The imposition of a travel tax on the purchase of automobiles delivered abroad would serve neither of these purposes. In addition, it would discriminate unfairly against foreign, as opposed to domestic, delivery of foreign cars, and would have an unjustifiably severe impact upon the tourist car and allied industries.

A. Imposition of a travel tax on the purchase price of tourist cars would not deter travel

At the present time, the cost of a car purchased here to be delivered abroad and later imported into the United States is equal to or more than the cost of the same car purchased and delivered in the United States. Since no real saving can be achieved by taking delivery abroad, there is no incentive to go abroad in order to purchase a car. The elimination of the feasibility of taking delivery abroad would merely cause the individual to purchase the foreign car in the United States and utilize other forms of transportation while abroad.

B. Imposition of a travel tax on tourist cars would be likely to increase the dollar outflow from tourism.

Since the travel tax as proposed would make it economically disadvantageous to purchase a car for delivery abroad, the tourist would either rent a car or pay for public transportation while abroad and then purchase his foreign car domestically. If this occurred, the combined dollar outflow from purchasing the foreign car and purchasing separate transportation abroad would be *greater* than the present outflow from the purchase of the car alone. As a consequence, there would be no reduction in the dollar outflow unless a substantial number of tourists, who would have purchased foreign cars abroad, chose not to purchase foreign cars at all.

C. The imposition of the travel tax on tourist cars would have a discriminatory and unjustifiably harsh impact on the tourist car industry

Even if none of the automobiles which failed to be delivered abroad as a result of the travel tax were purchased domestically, the magnitude of the balance of payments benefits which might be realized should be weighed against the harsh and discriminatory impact that the tax would have on companies in the tourist car business.

At the 1967 rate of deliveries, application of the travel tax would at most reduce foreign car sales abroad by approximately 12,000–15,000 vehicles, truly insignificant in relation to the total number of foreign cars imported annually of approximately 850,000. To be weighed against this maximum reduction in foreign car sales resulting from application of the travel tax is its inevitable destructive impact on the companies in the tourist car industry. The tax as presently structured would have the following effects:

1. It would put out of business all of the companies which specialize in tourist car deliveries.

2. It would have a detrimental effect on a substantial number of forwarding firms which specialize in handling tourist cars.

3. It would adversely affect numerous travel agents in the United States who derive part of their income from commissions on overseas car sales.

To place this burden on such a tiny segment of the foreign car import industry would constitute discrimination of the rankest sort.

Even assuming, therefore, that the reduction in tourist car deliveries abroad would not result in a matching increase in domestic purchases of foreign cars, the minor benefits to be derived cannot counterbalance the severe and discriminatory hardship that the tax would place upon the tourist car specialists and allied industries.

III. IF A TRAVEL TAX IS APPLIED TO TOURIST CAR DELIVERIES AT ALL, IT SHOULD BE APPLIED ONLY TO THE FAIR RENTAL VALUE OF THE USE OF THE CAR ABROAD

Since a foreign car purchased domestically and one purchased abroad and imported into the United States have approximately the same cost, the benefit of taking delivery abroad is at most the elimination of the cost of renting a car or paying for public transportation while abroad. The bulk of the purchase price of the car cannot be said to be an expense of the foreign trip, but is a cost of using the car after it is brought back to the United States.

The Treasury Department itself has recognized that the purchase price of a car delivered abroad and later imported into the United States is not primarily an expenditure related to foreign travel. In determining whether a foreign car originally delivered abroad was "incidentally imported for personal use" and thus exempt from excise tax, the Treasury held in Technical Information Release 955, issued on January 5, 1968, that the importation was not exempt because "the ultimate use of the vehicle in the United States is an essential ingredient of, and a motivating force behind, the transaction. . . ." Thus, for excise tax purposes, the Treasury views the transaction as it would if the purchaser had not even left the United States. In contrast, the Treasury's travel tax proposal would treat the entire purchase price as a taxable "foreign travel expenditure" made solely in connection with the trip. The inconsistency between the two approaches is obvious.

Moreover, a travel tax imposed on the entire purchase price of the car would create an unjustified distinction between the tourist car delivery with subsequent importation on the one hand, and either mere rental abroad or purchase and resale abroad on the other. In the latter cases, the Treasury's technical explanation specifically states that the tax would be imposed on the rental payments or the loss on sale, that is, the costs directly related to use of a car while abroad. The individuals choosing these courses of action would then be free to purchase a foreign automobile upon returning to the United States without incurring the travel tax. The results, in terms of use of a car abroad, would be the same as in the tourist car importation situation, and the dollar drain even greater. Yet, under the program as presently formulated, the tourist car delivery would be subjected to a heavy tax upon the entire purchase price. Nothing could more clearly show that at most only the rental value of the foreign car for the number of days it is actually used abroad can be reasonably considered a foreign travel expenditure.

CONCLUSION

In our view, the proposed travel tax program should not be adopted. We believe that any effect it will have in curbing the outflow of dollars will be more than offset by its detrimental effects in provoking retaliatory measures from other countries, interfering with other important national aims, damaging travel-related businesses, and imposing heavy administrative burdens on our citizens.

Even if the Committee on Ways and Means concludes, however, that a travel tax should be adopted, we urge that it not be applied to cars delivered abroad and imported into the United States for the reasons detailed herein.

Respectfully submitted.

Kenneth Wellner, President, The Kemwel Automotive Group; Alex Cecil, President, Auto Europe, Inc.; Henry Roy, President, Europe by Car, Inc.; Victor Elmaleh, President, Cars Overseas, Inc.; Joel Gordon, Vice President, Car-Tours in Europe, Inc.; Thomas Nemet, President, Nemet International, Inc.; Hanna Borne, Shipside Car Deliveries, Inc.; Lloyd de Mausse, President, The Atlantic Plan, Inc.; Herbert Abbe, Vice President, The Hermann Ludwig Organization; Robert Simon, Vice President, Martin's Motor Sales, Inc.; John Weil, Vice President, Panocean Ship-A-Car System, Inc.; George Suhr, Vice President, The Kemwel Group, Inc.

MERCEDES-BENZ OF NORTH AMERICA, INC.,
Fort Lee, N.J., February 29, 1968.

Hon. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
U.S. House of Representatives, Washington, D.C.

DEAR CHAIRMAN MILLS: In the belief that an important legal point is raised by the Administration proposal for the inclusion of tourist purchases of auto-

mobiles under the suggested tourist tax plan, we have asked our customs counsel to prepared the enclosed brief. We are convinced that a serious question exists regarding the compatibility of the Administration's proposed tourist tax with the General Agreement on Tariffs and Trade. GATT specifically provides that products imported from another GATT country shall not be subject to charges of any kind in excess of those applied to like domestic products. No authority is granted under GATT to impose a special tax on imported merchandise by reason of the status of the importer, and an individual importer has equal protection with a corporate importer.

We believe the Committee should give most careful consideration to such a proposal, since inclusion of this clause in the proposed legislation would put the United States, for the first time, in the position of attempting to circumvent the provisions of GATT by imposing a nontariff barrier in the guise of a tourist tax.

I would appreciate your making this letter and the attached brief a part of the printed record of your hearings.

Sincerely yours,

H. C. HOPPE,
Executive Vice President.

Encl.

STATEMENT ON BEHALF OF MERCEDES-BENZ OF NORTH AMERICA, INC.

Re Proposed tax on automobiles purchased in the United States for European delivery and subsequent importation.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. A travel expenditure tax imposed on the purchase price of automobiles bought in the U.S., delivered in Germany, and subsequently imported, would violate U.S. GATT commitments. It is not a tax on expenditures incurred in using the vehicle on a taxable trip. It discriminates against imports of this product on the basis of the status of the importer and the geographical location of the exporting country.

2. Automobiles purchased in the United States and delivered in Europe for subsequent importation should not be treated as expenditures in connection with foreign travel. Most of such automobiles so purchased are of German manufacture, amounting to $50,000,000 annually. A 30% travel expenditure tax on the purchase price of such cars in addition to regular duties and excise tax would eliminate a substantial portion of German automobile exports without reducing foreign travel expenditures.

3. The German Government has cooperated with the United States in measures designed to reduce the U.S. balance of payments deficits by substantial purchases of U.S. military equipment, U.S. Treasury securities, and by making significant contributions to foreign aid. The proposed travel expenditure tax, if applied to automobiles, would injure German automobile exports.

4. It is suggested that any legislation enacted imposing a travel expenditure tax specifically exempt from its provisions a tax on the purchase price of automobiles bought in the U.S. for European delivery and subsequent importation into the United States.

STATEMENT

This statement is submitted on behalf of Mercedes-Benz of North America, Inc., pursuant to the announcement of February 6, 1968 by the Chairman, Committee on Ways and Means, U.S. House of Representatives, that statements relating to the Administration balance of payments proposals would be considered by the Committee.

Mercedes-Benz of North America, Inc. is a Delaware corporation with its principal place of business at 158 Linwood Plaza, Fort Lee, New Jersey, and is engaged in the sale and distribution of Mercedes-Benz motor vehicles that are manufactured in Germany. The representations made herein are confined entirely to that aspect of the Administration's proposals concerning a temporary graduated tax on expenditures in connection with travel outside the Western Hemisphere. More specifically, this statement is concerned with the Administration's suggestion that a European automobile, purchased in the United States but delivered to an individual on a taxable trip would be subject to a tax on the purchase price as a taxable foreign travel expenditure upon importation into the United States. (Administration's Balance-of-Payments Proposals, Hearings Before the Committee on Ways and Means, House of Representatives, February 5 and 6, 1968, p. 31).

THE ADMINISTRATION PROPOSALS TO IMPOSE A TRAVEL EXPENDITURE TAX ON AUTOMOBILES PURCHASED IN THE UNITED STATES FOR DELIVERY IN EUROPE WOULD BE IN VIOLATION OF GATT COMMITMENTS

The Administration proposal to include as a travel expenditure subject to tax the cost of automobiles purchased in the United States for delivery in Europe and which are thereafter imported is inconsistent with United States obligations under GATT and contrary to the United States consistent policy of faithful observance of international commitments. Certainly, the need to rectify the United States balance of payments deficits does not require a deviation from this policy by the adoption of legislation which would violate provisions of GATT. The United States was one of the prime movers in establishing GATT and to a large degree has been the main force in utilizing it in the promotion of increased international trade. Quite clearly, any failure to observe the obligations which have been undertaken by reason of our association with GATT would be ill-advised. It seems clear, however, that insofar as the proposed travel expenditure tax relates to automobiles that are imported by individuals who have purchased the vehicles in the United States for delivery in Europe, there would be a conflict with the requirements of Articles I, II and III of GATT.

The Technical Explanation of the Travel Tax Program, as prepared by the Department of the Treasury, specifies that expenditures for renting an automobile on a taxable trip would be taxable travel expenditures. It is also provided that if an automobile is both acquired and sold during the same taxable trip, the loss, if any, would be treated as an expenditure for the use of property and, therefore, taxable. However, where an automobile is purchased in the United States for delivery in Europe, and is thereafter imported into the United States, the importer becomes liable for a tax on the full purchase price of the automobile rather than on the actual expenditures incurred in using the vehicle while on a taxable trip. Moreover, the tax on the purchase price would apply whether or not the individual used the automobile during the trip. In addition, the importer would be required to pay the regular customs duties and excise tax which are applicable. Thus, the imposition of the tax on the purchase price is associated with the importation of the automobile even though the payment of the assessment may not be concurrent therewith.

Whether the tax, as applied to automobiles so acquired, is called a travel expenditure tax or otherwise designated, the fact remains that it is a tax or charge imposed on or in connection with importation. Additionally, it is not a tax that was in effect on the effective date of the General Agreements on Tariffs and Trades and is not a tax that is imposed on like domestic products. Furthermore, the application of this tax is inconsistent with the most favored nation provision of GATT and discriminates against such imports from GATT member countries that are not within the Western Hemisphere.

The provisions of GATT, in pertinent part, are as follows:

Article I

1. With respect to customs duties and charges of any kind imposed on or in connection with importation * * * and with respect to the method of levying such duties and charges, * * *, any advantage, favour, privilege or immunity granted by any contracting party to any product originating in or destined for any other country shall be accorded immediately and unconditionally to the like product originating in or destined for the territories of all other contracting parties.

Article II

1. (a) Each contracting party shall accord to the commerce of the other contracting parties treatment no less favourable than that provided for in the appropriate Part of the appropriate Schedule annexed to this Agreement.

(b) The products described in Part I of the Schedule relating to any contracting party, which are the products of territories of other contracting parties, shall, * * *, be exempt from ordinary customs duties in excess of those set forth and provided for therein. Such products shall also be exempt from all other duties or charges of any kind imposed on or in connection with importation in excess of those imposed on the date of this Agreement or those directly and mandatorily required to be imposed thereafter by legislation in force in the importing territory on that date.

Article III

2. The products of the territory of any contracting party imported into the territory of any other contracting party shall not be subject, directly or indirectly, to internal taxes or other internal charges of any kind in excess of those applied, directly or indirectly, to like domestic products. * * *.

A German manufactured automobile continues to be a product of Germany whether or not delivered to the importer while abroad and whether or not imported by an individual rather than a business entity. It is entitled to receive the same customs and tax treatment as the like product from any other GATT member country, without regard to the status of the importer or the geographical location of the exporting country. The proposed travel expenditure tax, as applied to automobiles, would violate the foregoing provisions of GATT.

FOREIGN AUTOMOBILES PURCHASED IN THE UNITED STATES AND DELIVERED IN EUROPE FOR SUBSEQUENT IMPORTATION SHOULD NOT BE TREATED AS EXPENDITURES IN CONNECTION WITH TRAVEL OUTSIDE THE WESTERN HEMISPHERE

Most automobiles purchased in the United States for delivery in Europe are of German manufacture. Of the 21,144 Mercedes-Benz passenger cars sold in the United States in 1967, 5,314 units or approximately 25% constituted orders of American citizens, placed with and paid to independent franchised Mercedes-Benz dealers in the United States for delivery in Europe and subsequent importation. The total volume of such sales for that year amounted to $24,000,000 which represents about 1.2% of all German exports to the United States. If the sales of other German manufactured cars obtained in this manner are included, it is believed to represent 2.5% of all German exports to the United States or a total of $50,000,000. The aggregate value for all European automobiles, so sold, is estimated to be $70,000,000. Such sales made in the United States should not properly be considered as expenditures in connection with travel since the purchase of the automobile for delivery in Europe does not induce or encourage the businessman or tourist to travel to Europe if he would not do so otherwise. Since the federal excise tax on automobiles became effective in respect to this type of import after January 15, 1968 by reason of Revenue Ruling 68–30, there is only a moderate saving involved to the individual who purchases the vehicle in the United States and takes delivery in Europe when the cost of freight, customs duty and federal excise tax, which are incurred by the traveler in importing the automobile, are taken into consideration. The individual who takes delivery in Europe has the convenience of having his own car while abroad, but this eliminates, at least in part, the need to rely on public transportation or to rent a car while traveling. Thus, the only effect such purchases would have on travel expenditures would be to reduce them to the extent that they permit the individual to save on transportation costs while in Europe.

Upon his return to the United States, the traveler must engage the services of a customs broker to import his automobile at which time he must pay the regular customs duty and federal excise tax in the same manner as with an ordinary commercial importation. There is no valid distinction between sales made in the United States for domestic delivery of German automobiles and sales made in the United States for European delivery and subsequent importation of such vehicles by an individual, insofar as they affect travel expenditures. If, as is proposed, a 30% travel expenditure tax is imposed upon the privately imported automobile, in addition to the customs duty and federal excise tax, the cost would be prohibitive. It is believed that a substantial portion of this $50,000,000 in German automobile exports would be lost if the proposed tax is adopted. The travel expenditure proposals are not intended to discourage the free flow of trade but rather to encourage the reduction of tourist expenditures. This objective would not be assisted if the suggested legislation relating to automobiles purchased in the United States were to be adopted. To a limited extent, at least, the converse would be true and the primary effect would be damaging to U.S. trade relations in one of the few major commodities where the value of imports from Western Europe exceed the value of exports from the United States. Most of the other major commodities in the trade between the United States and Western Europe show a sizable surplus of U.S. exports over imports. (See Exhibit 1). It should be noted, however, that the value of all U.S. exports of automobiles and parts exceeds the value of U.S. imports of such merchandise.

THE GERMAN GOVERNMENT HAS COOPERATED WITH THE UNITED STATES IN MEASURES DESIGNED TO REDUCE THE U.S. BALANCE OF PAYMENTS DEFICITS. PROPOSALS THAT WOULD PRIMARILY IMPAIR GERMAN AUTOMOBILE EXPORTS TO THE UNITED STATES SHOULD NOT BE ADOPTED

The German Government has undertaken various measures designed to assist in the solution of the United States balance of payments deficits. In this connection, Germany has for a six-year period participated in the military offset agreements under which that Government agreed to procure U.S. military equipment and services. The major part of U.S. defense expenditures in Germany have been offset by these means.

German expenditures for defense materials in the United States have been at a rate of about $600 million annually or more. In 1966 Germany transferred $750 million for such purposes. At present, approximately $500 million is still uncommitted because basically Germany does not require additional defense materials at this time.

Although the military offset agreements terminated in the latter half of 1967, the German Government has indicated that it intends to continue major purchases of military equipment in the United States. Additionaly, the German Federal Bank has agreed to invest $500 million in non-marketable U.S. Treasury securities which represents a long-term capital inflow thereby reducing U.S. payments deficits. Of this amount $250 million worth of Treasury securities were purchased in 1967 and an additional purchase of $250 million is to be made in June 1968.

The German Government has also cooperated with the United States by providing material assistance in the area of foreign aid. In this connection, Germany contributed $3.36 billion in foreign aid during the period 1960–1965 which represented 7% of the total foreign aid given by Western nations. Germany's favorable balance of payments has not been large because large amounts have been returned to the world economies through investments, foreign aid and transfers such as the procurement of U.S. defense materials and U.S. Treasury securities. Furthermore, that Government has assisted the United States, rather than hindered it, in attempting to stem the outward flow of U.S. gold reserves.

The recent enactment of the German added-value tax should not be construed as evidence of German non-cooperation in reducing the balance of payments deficits. The German added-value tax imposes on all transactions a 10% sales tax with full credit for the sales taxes paid by all suppliers, sub-suppliers and importers in the chain of trade.

Thus all prices, both for domestic and imported goods, include a uniform 10% sales tax when sold to the end user with no different treatment applied with respect to imported goods.

Quite clearly, the impact of the Administrations' proposals in regard to the U.S. purchase of automobiles for delivery in Europe has not been fully understood. The objective sought, i.e. the reduction in travel expenditures, would not be accomplished. The unintended result would be the impairment of a substantial portion of German export trade to the United States. This would be particularly undesirable in view of the cooperation that has been demonstrated by the German Government in the solution of U.S. balance of payments deficits.

CONCLUSION

For all of the foregoing reasons, it is requested that the Administration proposals relating to an import tax upon automobiles purchased in the United States for delivery in Europe and subsequent importation, not be adopted and that this category of imports be specifically exempted from the provisions of any tax that may be enacted on expenditures in connection with travel outside the Western Hemisphere.

Respectfully submitted.

BARNES, RICHARDSON & COLBURN,
Attorneys for Mercedes-Benz of North America, Inc.

U.S. TRADE WITH WESTERN EUROPE

[Dollar amounts in millions]

	Exports to Western Europe					Imports from Western Europe					Excess of exports over imports 1966	
	1963	1964	1965	1966	Increase (+) or decrease (−) 1963 (percent)	1966	Increase (+) or decrease (−) since 1963 (percent)	1965	1964	1963	Amount	Percent
Agricultural commodities	$1,679	$1,770	$1,862	$2,176	+30	$249	+32	$185	$164	$189	+$1,927	+774
Ores, coal, coke, petroleum products	498	509	488	453	−9	46	+283	17	13	12	+407	+885
Chemicals	696	850	880	926	+33	426	+70	328	295	250	+500	+117
Machinery	1,554	1,771	2,090	2,273	+46	1,286	+136	887	642	544	+987	+77
Road motor vehicles	153	164	187	192	+25	1,131	+85	760	692	611	−939	−83
Aircraft, civilian	92	102	330	367	+299						+367	+100
Pulp, paper	105	231	238	256	+144	109	+18	103	98	92	+147	+135
Metals	423	547	507	497	+17	820	+74	764	517	470	−323	−39
Textiles	125	172	155	153	+22	283	+19	255	233	237	−130	−46
Alcoholic beverages	(1)	(1)	(1)	(1)		362	+50	304	277	241	−362	−100
All other, excluding those classified by security regulations	1,615	1,871	2,487	2,520	+56	2,973	+45	2,552	2,278	2,053	−453	−15
Total	6,940	7,987	9,224	9,813	+41	7,685	+64	6,155	5,209	4,699	+2,128	+28

[1] Not available.

Source: Statistical Abstract of the U.S. 1967, 1966, and 1965 charts 1230/1231, 1256/1257, and 1243, 1244, respectively.

STATEMENT OF C. WILLIAM VERITY, JR., PRESIDENT, ARMCO STEEL CORPORATION

My name is William Verity. I am president of Armco Steel Corporation. I welcome this opportunity to make my statement a part of the record of your hearings on the President's proposals to deal with the current balance of payments problem.

Armco is a basic steel producer with headquarters in Middletown, Ohio. Our company employs approximately 40,000 people in its steelmaking, fabricating and manufacturing operations in 25 states. Of special relevance to these hearings is the fact that Armco has been active in international commerce since 1912—probably the most active of any domestic steel producer in foreign trade. We now carry on extensive business activities through 28 foreign subsidiaries in 18 counties in the free world . . . with 7,000 more employees on foreign soil.

Because of these overseas business activities, we have a very direct interest in these hearings and in any legislation that might result. But we have an even more basic reason for expressing our opinion to the distinguished members of the House Ways and Means Committee.

We believe our entire economy is seriously threatened by the fiscal policies that have led to our current balance of payments crisis . . . we also believe a great many Americans are now looking to this committee and its courageous chairman for fiscal leadership and national economic common sense.

As much as we share the President's dreams for abolishing poverty, putting an American on the moon, rebuilding cities, controlling crime, we don't believe we can do all of the things he wants to do at home at a time when we are engaged in a major, costly war. We believe the time has come when our nation must face up to this fact and establish some realistic and prudent priorities.

We believe the "medicine" which the President has prescribed for our imbalance of payments offers only a temporary, stopgap treatment of the symptoms and does not attack the basic cause of our economic disease.

We have noted and have been greatly encouraged by the reservations expressed by members of this committee regarding proposals which are of such grave importance to all of us.

We too have grave misgivings regarding the wisdom of the program, and we appreciate the opportunity to outline a few of our serious objections to what we feel is a short-term approach which will beget more serious long-term problems.

We feel that our experience as a company whose interests abroad span a period of some fifty-five years throws important light on the inherent serious dangers of the proposed program.

We started overseas business with the export of certain of our products to other countries. We later launched a marketing program that added the products of a number of other American manufacturers whom we represented in countries around the world. For example, since the mid-1930's we have served as agents for and sold the welding products of Lincoln Electric Co. of Cleveland, Ohio in markets around the world.

As time went by and market conditions changed, we began to also fabricate and manufacture certain of our products in plants that we established overseas. In some cases we granted licenses to foreign companies and permitted them to make and market certain of our products in foreign markets. All of these business activities have been helpful to Armco and to the overall American economy.

Historically, our philosophy has been one of responsiveness to the markets we serve. Again, this policy has proven beneficial to our business, and has added dollars to the American trade surplus. We have always tried to make the minimum possible investment in American dollars abroad while bringing back to our shareholders the maximum return on their investment. We found this to be sound business practice. It was, in this respect, also entirely consistent with the objectives of President Johnson's earlier voluntary balance of payments program.

Since the voluntary program in 1965, Armco has cooperated wholeheartedly. During the voluntary and "temporary" measures, we curtailed our dollar capital investments abroad and maximized the return on existing investment to a degree which exceeded the guidelines set forth by that program. As an example, during

1965 and 1966 our dollar investment abroad was held to a level which represented two-tenths of one per cent of our existing overseas investment. During this same period we repatriated 89% of our overseas earnings.

While we have not objected to the need for restraint in foreign investments, we do object strenuously to the mandatory controls which the President has now imposed through his January 1 executive order. There are competitive pressures in certain markets and in certain product lines which require capital investment if we are to prevent total collapse of our business there. Failure to modernize or to install equipment needed to produce new or improved products will result in what we believe could be a permanent loss of markets to our company and an overall loss to our economy.

It is ironic, and patently unfair, that those American companies that have done the best job of complying with the government's voluntary program are to be penalized the most under the mandatory controls. Companies like Armco that cooperated with the voluntary program now find they are forced to live with standards that use 1965–66 as a base period. Under this new mandatory program, companies that repatriated unrealistically high levels of earnings in 1965 and 1966 in cooperation with the voluntary program must now use these high levels as the standard or yardstick for current repatriation requirements. In some instances, these requirements are literally impossible to achieve.

For example, in Schedule "B" countries, we would be required to repatriate 20% more than our forecasts indicate we can reasonably expect to earn. In Schedule "A" countries, it looks as if we will be required to bring back 25% more than it would be practical for us to repatriate. It is obvious that we will be forced to seek exceptions to the President's order in a number of instances.

Those of you who serve on this important committee are certainly well aware, and do not have to be told, that control of foreign investment is not the answer to our balance of payments problems. We have seen the importance of such investments to the growth of our business. You may have seen the figures in the February 5th issue of *U.S. News & World Report* and read the statment that "Earnings on foreign ventures by American companies, together with income from foreign stocks and bonds, have more than doubled in 10 years—the fastest growing source of dollar inflow for the U.S."

Such investments are essential to the nation's growth and to our economic health in a time of increasing one-world marketing.

Our imbalance of payments can be traced to:

A long period of government fiscal policies that have led to inflation and thus hindered American business efforts to compete in world markets.

The heavy and growing burden of our military commitment in Vietnam.

An unreasonable growth in governmental non-defense spending.

We respectfully suggest that there are several fiscally responsible alternatives to the President's balanceof payments proposals:

1. An immediate and significant reduction in the level of non-defense government expenditures . . . at least until we can reduce our defense spending.

2. A corresponding slow-down in the creation of money by the federal reserve system.

3. The immediate consideration of Mr. Mills' bill proposing a bi-partisan Government Program Evaluation Commission to study and evaluate all government spending. This nation can't do everything and we need to set reasonable priorities that will permit us to do the most necessary programs . . . within the limits of anticipated tax income.

4. Start the machinery necessary for a comprehensive review of federal tax provisions with the objective of overhauling our basic tax laws to provide incentive to individuals and to businesses that would encourage economic growth.

We believe that one of the most serious spin-off problems from the balance of payments difficulty is the uncertainty created by our government's tax stance. This uncertainty is an unnecessary psychological drag on our nation's economy and a disservice to all of our people. We have noted with considerable interest, Mr. Chairman, your accurate appraisals of economic conditions in this country and we appreciate the steadfast efforts of this committee to cut government spending. We believe this has to be a significant part of any balance of payments solution. We commend you for your efforts and will stand ready to support you and your committee in this direction.

STATEMENT OF HARRY B. HENSHEL, PRESIDENT, BULOVA WATCH COMPANY, INC.

REASONS WHY BUSINESS TRAVEL SHOULD BE EXEMPT FROM PROPOSED TRAVEL TAX

In omitting any exemption for bonda fide business travel, the Administration's proposal for a travel tax submitted to the House Ways and Means Committee on February 5, 1968, seems to be based on policies diametrically opposed to those announced by the President in his Balance of Payments Message of January 1, 1968. In particular, they conflict with longstanding policies designed to promote and encourage the development of foreign markets and competitive operations overseas by American companies. Some specific points are set forth below.

(1) In his Message the President said: "I am asking the American people to defer for the next two years all *nonessential* travel outside the Western Hemisphere." (Emphasis supplied.) It would appear, therefore, that the Administration's travel tax proposal deems all business travel to Europe to be either deferrable as "nonessential", or else taxable on the same basis as tourist travel regardless of essentiality.

Most U.S. compaines, however, including Bulova, are cost-conscious. They do not permit "business' travel that is not for business purposes. Those purposes certainly include the promotion of a company's foreign sales and its efforts to compete abroad through its foreign branches and subsidiaries. Such overseas efforts—which we had always understood to be in the national interest—clearly require constant travel by the company's exectuives and other personnel. Is this "nonessential" travel that should be deferred for two years?

(2) In his Message the President called for "an intensified domestic effort to encourage companies to focus more of their efforts on foreign markets." Obviously, a company cannot be expect to make this sort of effort without sending its executives and salesmen abroad. Similarly, the Treasury's own White Paper, *Maintaining the Strength of the United States Dollar in A Strong Free World Economy* (January 1968), advocates the expenditure of federal funds to help small and medium-sized companies in overseas trade promotional visits and other activities calling for foreign travel of business personnel. And Assistant Secretary of Commerce Lawrence McQuade has recently urged "a doubling of our commercial exhibitions in trade fairs and our trade centers overseas," with a "three-fold increase" in the number of participating U.S. firms.

Secretary Fowler failed to mention to what extent the proposed travel tax might inhibit response to these objectives.

(3) The travel tax proposal purports to be designed not to "unduly" penalize certain specified types of travelers, including "business people." This may be laudatory, but it is hardly the same as *promoting* business travel—which seems to be the Administration's objective in other programs.

(4) The proposed burden on business travel is at odds with the Administration's over-all policy in yet another respect. The Foreign Direct Investment Regulations are designed to encourage foreign borrowing and to reduce direct transfers of capital. But while a businessman can transfer his funds abroad sitting in his own office in the United States, he rarely can obtain foreign credit without calling on foreign bankers in their home offices.

(5) Secretary Fowler testified against any specific exemptions on the ground that they "produce complexity and administrative burdens." But the sensible exemption of all business travel would be far less complex and burdensome than the arbitrary dividing lines and mountains of paper work which his proposal contemplates for all travelers, including businessmen.

(6) The very limited exemptions that are proposed—long trips of 120 days or more and establishment of residence abroad—bear no relation to the broad objective of promoting exports and foreign markets by American businessmen, who typically make frequent short trips from the U.S. and back for these purposes. Indeed, the exemptions proposed seem to run counter to the over-all objective of the Administration's emergency balance of payments program, namely, to achieve maximum foreign exchange savings *in the short run.* The many local expenditures required to set up a permanent establishment abroad for a given business operation there will have a far greater immediate negative impact on the balance of payments, than will travel for the same purpose.

(7) In essence, the proposed tax makes no sense as applied to business travel. While designed to be a deterrent to foreign travel, it will *not* deter most businessmen from making trips outside the Western Hemisphere essential to their business. At most, it will produce red-tape and a very modest amount of additional tax revenue (which is fully deductible by the business traveler).

And in many cases where the new tax will act as a deterrent, it will be counter-productive. For example, where, as often happens, there is a close choice to be made between frequent trips abroad and setting up a permanent foreign establishment, the new travel tax may well dictate choosing the latter—with the adverse balance of payments impact noted above. Similarly, this new tax could discourage a fledging or prospective export program if the company felt that the overseas travel required was not worth the new headaches involved.

* * * * * * *

Examining the position of Bulova, for example, in the light of all the above stated obvious and Alice-in-Wonderlandish contradictions, we find a medium-sized American company which has manufacturing facilities in France, Germany, Switzerland, and Italy. All of these, from time to time, utilize American-made components.

Bulova has sales offices in North America, Central American, the Caribbean, South America, Europe, the Middle East, Africa, the Far East and Pacific, and Oceania, with markets in over one hundred foreign countries—selling both our American-made and foreign-made products.

While we pay American taxes on all of our business, both foreign and domestic, we must compete with strong, foreign-based companies which have lower taxes imposed upon their operations and profits, and no travel taxes or restrictions facing them such as will face us if the Administration's balance of payments proposals are given effect. These will simply add one more burden to an already overburdened competitive situation.

We strongly urge that, apart from carefully scrutinizing other troublesome aspects of the travel tax proposals, you and your Committee will recommend the exemption of bona fide business travel from any travel tax that it may recommend.

There are few geese laying golden eggs left us in our balance of payments basket for 1968. Let us fatten them, not starve them.

OVERMYER CORP.,
Winchester, Ind., February 12, 1968.

Mr. JOHN M. MARTIN, Jr.,
Chief Counsel, Committee on Ways and Means,
1102 Longworth House Office Building, Washington, D.C.

DEAR SIR: The Administration's proposal to tax spending by U.S. residents traveling outside the Western Hemisphere is inequitable, unrealistic and unenforceable. If enacted, it runs the risk of retaliatory legislation to discourage foreign visitors to the United States. It further threatens the economic vitality of the Travel Industry as well as International Air Carriers. Finally, it is extremely doubtful that such a tax would, in fact, measurably stem the flow of gold abroad.

In any event, business travel must be exempted from the proposed tax because of the hardship it would place on business protecting investments which have already been made and upon the export of U.S. goods abroad.

Our company has invested nearly $1,000,000 in Belguim to service more than seventy glass container manufacturers from East Pakistan and Ceylon to East Africa and Peru. We cannot service these customers from domestic facilities because of high labor costs and restrictive union work practices.

To protect this investment and to make profits which can be repatriated, I am required to travel to Belgium six or seven times a year. The purpose of this travel is in sharp contrast to those traveling for personal pleasure. To place this additional tax burden on my small company at the same rate as on the "Jet Set" is not only inequitable but contrary to Public Policy.

The tax is patently unenforceable because of credit cards and sources of foreign funds. The tax will undoubtedly fall on the middle to lower income once-in-a-life-time traveler as the "professional" will find the obvious loopholes. An expensive civil service agency will be required to administer, enforce and regulate the tax.

I strongly believe that business travel must be exempted particularly in cases where it relates to the management of American Capital abroad and, even of more direct importance, where it relates to expanding foreign markets for American products. Without having statistics, I would suspect a very high percentage of dollars spent for travel abroad are done by persons falling into these categories.

Very truly yours,

LOWELL L. ROESNER, *President.*

NATIONAL MILK PRODUCERS FEDERATION,
Washington, D.C., March 1, 1968.

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

DEAR MR. MILLS: We shall greatly appreciate it if you will place in the record of the hearings on legislation relating to balance of payments the following statement of the National Milk Producers Federation.

We do not profess to be informed on the major issues of the balance of payments problem, and we shall not burden the record on matters outside our field, although, along with many other Americans citizens, we are deeply concerned about the situation in which the United States now finds itself.

We would like to call to the attention of the Committee one hole in the total sieve through which American dollars are steadily draining away. This may be a relatively small hole in terms of total dollar balances; but it is at least one hole which could be plugged easily, and one which, if not plugged, will be a continuing unnecessary drain.

We have in mind imports of dairy products which are not needed and which serve only to add to our own surplus supplies. These imports not only drain dollars out of this country needlessly, but they also burden the price support program with added and unnecessary costs. This affects the budget deficit adversely and adds to the total burden of the American taxpayer.

It is estimated that the dollar drain for these imports for the year 1966 was $70,466,863, and for 1967 $73,702,697.

The dollar drain for 1968 and subsequent years, based on current import controls as revised July 1, 1967, is estimated at $36,796,255 per year.

These amounts are significant when compared with estimated reductions of the dollar drain to be achieved through other means under consideration by the Committee. For example, reducing the tourist exemption to $10 is estimated in the Committee print of February 5, 1968, to cut back foreign acquisitions by $50 million. Foreign expenditure under the proposal to eliminate the gift exemption would be curtailed by $28 million.

Controlling imports of unneeded dairy products, which not only are not beneficial but actually are harmful to our agricultural economy and our domestic agricultural programs, would produce results which are substantial compared to the above proposals.

Dairy imports were particularly heavy in 1966 and were increasing rapidly in the first half of 1967. Partial controls were applied July 1, 1967, but only after much damage had already been done. The controls were too little and too late, and they still leave an unnecessary drain on our dollar balances and an unnecessary burden on our price support program.

Other countries for many years controlled their imports to conserve their balance of payments position. They should not object to our doing the same under the conditions in which we now find ourselves.

The figures given in the first part of the attached Table A are taken from statistics of the Department of Commerce and are foreign value, excluding ocean transportation and U.S. duties. The figures are conservative and actually represent a dollar drain greater than the amount shown because shipping charges would result in a substantial additional outflow of U.S. Dollars.

All of the products listed are items which are and can be produced in the United States. In practically all cases, they displace an outlet for domestically produced milk and butterfat, thus forcing domestic production into the support program at added and unnecessary cost to the Government.

Imports of Roquefort cheese, and other sheeps milk cheeses, are not included in these figures, because we do not make sheeps milk cheeses in this country.

To the figures obtained from the Department of Commerce are added imports of 105,626,000 pounds of butterfat-sugar mixtures imported in 1966, and 100,548,000 pounds imported in 1967. We do not have the dollar value of these imports, but we believe a reasonable estimate of the average foreign value would be 23 to 26 cents per pound. This would indicate a dollar drain for this item of approximately $26,405,500 for 1966 and $25,137,000 for 1967.

Imports of butteroil of about 1,200,000 pounds are estimated to have caused a dollar drain on this country of $600,000, assuming a foreign value estimated at 50 cents per pound.

Imports of chocolate crumb rose from 54,000 pounds in 1960 to 10,400,000 pounds in 1967. This is a mixture containing about 15 percent chocolate liquor,

55 percent sugar, and 30 percent whole milk powder. While we need the imports of chocolate, we do not need the imports of sugar or whole milk powder.

The volume of some of the imports listed are controlled by quotas. Some of these quotas were enlarged, and some new ones were imposed, last July 1. The major actions taken last July would hold frozen fresh cream imports to 1.5 million gallons, up slightly from the volume of 1966 and 1967 imports. The cheddar cheese quota was increase from 2,780,100 pounds to 10,037,500 pounds. Imports of Colby cheese were cut back sharply from 55,312,000 pounds imported in 1967 to a quota of 6,096,600 pounds per year. Butterfat-sugar mixtures also were sharply cut back from 100,548,000 pounds imported in 1967 to a quota of 2,580,000 pounds per year.

However, even under the current quotas, the dollar drain for unneeded dairy imports is estimated at $36,796,255 per year as shown in the attached Table B.

In addition to draining dollars out of this country, these unneeded imports further added to our surplus problem and put heavy additional and unnecessary cost on our domestic price support program.

It is estimated that the added cost to the support program from these unneeded imports was $29,244,400 in 1966 and $131,177,198 in 1967.

The level of imports permitted under the present quotas is expected to put an unnecessary burden on the support program for 1968 estimated at $48,400,000. This will be a continuing and annually recurring burden as long as our own supplies are adequate and the imports are not needed.

Exports of dairy products from foreign countries to the United States have been heavily subsidized by the foreign countries. It is not at all an unusual circumstance for the amount of the subsidy to be more than twice as great as the selling price.

Although this condition has existed for several years, neither the Department of Agriculture nor the Treasury Department has taken effective action to control it.

Sincerely,

E. M. NORTON, *Secretary.*

TABLE A.—OUTWARD FLOW OF U.S. DOLLARS FOR UNNEEDED DAIRY IMPORTS, 1966 AND 1967

	1966	1967
Milk and cream in all categories	$4,092,799	$4,010,135
Butter	365,150	377,305
Blue-mold cheese	2,620,439	2,544,794
Cheddar cheese	1,530,423	1,877,383
Edam and Gouda cheese	4,990,450	5,599,181
Italian type cheese, cows milk	5,194,563	5,236,991
Swiss cheese	7,988,107	7,928,715
Gruyere cheese	4,108,394	4,145,728
Colby cheese	12,570,038	16,245,465
Total	[1] 43,460,363	[1] 47,965,697
Butterfat-sugar mixtures (estimated)	26,406,500	25,137,000
Butteroil (estimated)	600,000	600,000
Total	70,466,863	73,702,697

[1] Source: Bureau of the Census, Department of Commerce.

TABLE B.—OUTWARD FLOW OF U.S. DOLLARS FOR UNNEEDED DAIRY IMPORTS, ESTIMATED FOR 1968

Product	1968	Product	1968
Milk and cream in all categories	[1] $4,010,135	Gruyere cheese	[1] $4,145,728
Butter	[2] 377,287	Colby	[2] 1,793,010
Blue-mold cheese	[2] 2,666,033	Butterfat-sugar mixtures	[4] 645,000
Cheddar cheese	[2] 3,794,175	Butteroil	[4] 600,000
Edam and Gouda cheese [3]	[1] 5,599,181	Total	36,796,255
Italian type cheese, cows milk [3]	[1] 5,236,991		
Swiss cheese	[1] 7,928,715		

[1] Same value as in 1967.
[2] Estimated by applying average 1967 value to present quotas.
[3] Edam and Gouda and Italian imports in 1967 exceed quota and apparently include processed cheese.
[4] Estimated on basis of quota times estimated foreign value used in computing 1967 values as shown in table A.

BROADCAST MUSIC INC.,
New York, N.Y., February 23, 1968.

Hon. WILBUR D. MILLS,
Chairman, House Committee on Ways and Means,
1102 Longworth House Office Building,
Washington, D.C.

DEAR SIR: It is requested that this statement be included in the printed record of the foregoing hearings.

Broadcast Music, Inc. (BMI) licenses for public performance in the United States and abroad, pursuant to the Copyright Act (USC 17, Par. 1(e)), the musical compositions of more than 14,000 composers and 8,000 publishers, all resident in the United States. BMI achieves its collections from abroad by means of reciprocal agreements with performing rights organizations in 26 countries. All of the monies that BMI collects, except for actual expenses and a reasonable reserve, are distributed to the writers and publishers affiliated with it.

BMI is entirely sympathetic with the Presidential purpose of deferring "non-essential travel outside the Western Hemisphere for two years." (Statement of Secretary of State before Ways and Means Committee, House of Representatives, February 5, 1968, p. 23.) It addresses itself solely to the penalizing of travel which is essential in the interests of the United States.

BMI's activity abroad has the following beneficial results for our country:

1. As the result of the performance and exploitation of American musical compositions abroad, musical compositions written by United States citizens, have, as never before, achieved positions of primary popularity in foreign countries. The foreign performances are of popular music, music from Broadway shows, serious symphonic compositions, music from operas, the indigenous music of the South and West and, indeed, all of the music that the composers of our country produce.

2. BMI collects from abroad on behalf of its affiliated writers and publishers for foreign performances of their works, about $1 million per annum in excess of payments transmitted abroad by BMI for performances of foreign works in the United States. This helpful contribution to our favorable balance of trade is net to the United States. No physical goods are exported nor, indeed, do our writers even engage in additional efforts for the European market. With one minor exception, all payments from abroad are made in United States dollars.

Obviously, these monies do not flow into the United States automatically. A certain amount of travel is essential to maintain contacts, solve the problems involved in the proper attribution of and payment for the thousands of works involved and stimulate the performance of works of American origin in foreign countries.

For instance, every two years the International Confederation of Societies of Authors and Composers (CISAC) holds a meeting of all of the performing rights organizations of the world, the forthcoming meeting being scheduled for next June in Austria. This meeting involves not only the economic problems of collection and distribution, but also the cultural and legal problems involved in international copyright relations. Actually, such a meeting, with its opportunities for meeting at one place and time all of the persons with whom BMI has problems, obviates other travel from country to country, which would involve greater expense.

It seems to us that this is travel essential in the interests of the United States and we do not believe that it should be penalized. Without such travel, the important prestige and good will which the United States gains through public acceptance of works of American authorship in other countries and the substantial monies which flow into our country for the benefit of United States citizens and in support of a favorable balance of trade would both be diminished.

We respectfully request, therefore, that any business organization which can demonstrate both that it serves the useful dissemination of United States culture abroad and produces a favorable balance of trade for the United States should be exempted from the tax on expenditures incurred in essential trips outside of the Western Hemisphere.

Respectfully,

ROBERT B. SOUR, *President.*

COLUMBIA ARTISTS MANAGEMENT, INC.,
New York, N.Y., February 29, 1968.

Hon. WILBUR D. MILLS,
Chairman, House Committee on Ways and Means,
1102 Longworth House Office Building,
Washington, D.C.

DEAR SIR: As the attorneys for Columbia Artists Management, Inc. ("CAMI"), we have been asked to set forth its views with respect to the proposed travel tax now being considered by your Committee. It is requested that this statement be included in the printed record of the hearings.

CAMI is entirely sympathetic with the Presidential purpose of deferring "nonessential travel outside the Western Hemisphere for two years" (statement of the Secretary of State before the Committee, February 5, 1968, at p. 23). It does, however, consider as ill advised the penalizing of normal business travel which is essential or important to the interests of the United States and its business enterprises.

The situation which obtains with respect to CAMI is, we believe, a good illustration of the unwise reach of the proposed travel tax.

CAMI's principal activity is the management of concert artists and attractions and the procuring of concert, recital, ballet and other engagements for such artists and attractions.

One part of this activity requires that officers and employees of CAMI travel out of the Western Hemisphere for the purpose of arranging concert tours and the like for American concert artists. This type of activity not only has the important effect of propagating this country's cultural attainments throughout the world, but also results in a net flow of funds into the United States.

A different and somewhat more extensive type of activity involves traveling abroad for the purpose of arranging for foreign attractions to come to the United States on concert tours, thus providing the American people with the full measure of musical culture which the world's artists can provide. This cultural interchange is obviously very important. In addition, virtually no outflow of funds is generated because most of the attractions which CAMI brings to the United States are not profit making enterprises. More often than not, these groups, such as the Berlin Philharmonic, Concertgebouw Orchestra of Amsterdam and the Royal Danish Ballet, are subsidized by foreign governments and foreign foundations and expend more money in connection with their tours within the United States than they derive from such tours.

In any event, it is clear that the principle business activity of CAMI requires extensive travel by its officers and employees out of the Western Hemisphere. None of it is "nonessential" for CAMI and none of it ought to be considered "nonessential" for the United States. CAMI has no subsidiary, affiliate or branch office outside of the Western Hemisphere and does not wish now to establish one. In such a case, the proposed travel tax would have the harsh and probably unintended impact of producing a sharp increase in the cost of carrying on its normal and, we believe, useful business functions. This result is in glaring contrast to the generally understood thrust of the proposed travel tax which is simply to encourage the average American tourist to defer his pleasure trip to Europe.

SUMMARY AND RECOMMENDATIONS

For these reasons, we respectfully urge that the Committee consider a modification of the proposed travel tax so as to eliminate from its coverage bona fide business travel. It would be in order, of course, to place the burden of proof on this issue on a potential taxpayer; however, since workable principles and standards in this area have already been established for purposes of the federal income tax laws, this should not be too difficult a problem either for the taxpayers or for the administrators of the program.

Respectfully submitted,

ROSENMAN, COLIN, KAYE, PETSCHEK, FREUND & EMIL.

SERVICE TOOLS INSTITUTE,
New York, N.Y., February 28, 1968.

Hon. THOMAS B. CURTIS,
U.S. House of Representatives,
Longworth Building, Washington, D.C.

DEAR CONGRESSMAN CURTIS: Since the present crisis in our balance of payments situation calls for immediate action to limit the outflow of American

dollars to foreign countries, we would like to bring to your attention a condition which is causing substantial amounts of U.S. Government funds to flow to foreign countries.

We refer to the present tool buying policy which the Bureau of the Budget requires our Government's tool buying agency, the General Services Administration, to follow. Under this policy, only a six percent differential in favor of domestic producers is allowed in contrast to a 50 percent differential in favor of U.S. manufacturers allowed by the Department of Defense. As a result of this inconsistent and unwarranted policy, many foreign producers are, because of their low labor costs, able to obtain numerous large Government tool contracts, which otherwise would be awarded to domestic manufacturers. Due to heavy and increasing demands for tools for the Viet Nam War and the new Korean Emergency, Government procurement of hand tools is increasing substantially.

Listed below are examples of recent large hand tool awards being made by the GSA to foreign countries:

GSA invitation No.	Product	Date of award	Value of award in U.S. dollars	Awarded to—
56385	Wrenches, adjustable	November 1967	$843,750	Japanese manufacturer.
56296	Round nose and lineman's pliers	January 1968	41,640	West German manufacturer.
56191	Engineers wrenches	October 1967	80,912	Do
56346	Pliers and nippers	September 1967	262,000	Italian manufacturer.
56342	Shears and scissors	November 1967	334,576	Do
56343	do	do	252,590	Do.
56534	Axes and hatchets	February 1968	[1] 298,000	West German manufacturer.

[1] Approximate.

Under the circumstances outlined above, we respectfully request and urge that an immediate effort be made to have the tool buying policy of the General Services Administration changed from the present 6% buying differential in favor of domestic tool manufacturers to the 50% buying differential in favor of U.S. producers allowed by the Department of Defense.

We shall appreciate it if you will have this letter entered in the record of Hearings on the President's Balance of Payments Proposals now being conducted by the House Ways and Mean Committee.

This urgent request is respectfully submitted in behalf of our member manufacturers whose names and addresses appear on the attached list.

Yours sincerely,

GEORGE P. BYRNE, Jr.,
Secretary.

LIST OF SERVICE TOOLS MANUFACTURERS

A & E Manufacturing Co., Racine, Wisc.
Advertising Metal Display Co., Rem Line Division, Chicago, Ill.
Apco Mossberg Company, Attleboro, Mass.
Apex Machine & Tool Company, Dayton, Ohio.
Armstrong Bros. Tool Co., Chicago, Ill.
Baltimore Tool Works, Baltimore, Md.
Bergman Tool Manufacturing Co., Inc., Buffalo, N.Y.
Boker Manufacturing Company, Subsidiary of New Britain Machine Co., Maplewood, N.J.
The Bridgeport Hardware Mfg. Div., Crescent Niagara Corporation, Bridgeport, Conn.
C & G Wheel Puller Co., Inc., Scio, N.Y.
Cameron Manufacturing Corp., Emporium, Pa.
Channellock, Inc., Meadville, Pa.
Cleco Division, Reed International, Inc., Houston, Tex.
Cornwell Quality Tools Co., Magadore, Ohio.
Crescent Niagara Corporation, Buffalo, N.Y.
Crescent Tool Division, Crescent Niagara Corporation, Jamestown, N.Y.
Diamond Tool & Horseshoe Co., Duluth, Minn.
Dowley Manufacturing, Inc., Spring Harbor, Mich.
C. Drew & Co., Inc., Kingston, Mass.
Duplex Manufacturing Corp., Fort Smith, Ark.
Duro Metal Products Co., Chicago, Ill.
Fairmount Tool & Forging, Div. of Houdaille Industries, Inc., Cleveland, Ohio.
Fleet Tool Corporation, Schiller Park, Ill.

LIST OF SERVICE TOOLS MANUFACTURERS—Continued

The Forsberg Manufacturing Co., Bridgeport, Conn.
Jo-Line Tools, Inc., South Gate, Calif.
Ken Tool Manufacturing Co., Akron, Ohio.
Kennedy Manufacturing Company, Van Wert, Ohio.
Mathias Klein & Sons, Chicago, Ill.
McKaig-Hatch, Division of Tasa Coal Company, Buffalo, N.Y.
Metal Box and Cabinet Corp., Chicago, Ill.
Midwest Tool & Cutlery Co., Inc., Sturgis, Mich.
Milbar Corporation, Cleveland, Ohio.
Millers Falls Co., Greenfield, Mass.
Moore Drop Forging Co., Springfield, Mass.
New Britain Machine Co., New Britain, Conn.
Nupla Mfg. Company, Los Angeles, Calif.
C. S. Osborne Company, Harrison, N.J.
Owatonna Tool Co., Owatonna, Conn.
P & C Tool Company, Portland, Oreg.
Park Manufacturing Co., Grant Park, Ill.
Parker Manufacturing Co., Worcester, Mass.
Petersen Manufacturing Company, Inc. DeWitt, Nebr.
H. K. Porter, Inc., Somerville, Mass.
Proto Tool Company, Los Angeles, Calif.
The Quality Tools Corporation, New Wilmington, Pa.
Reed & Prince Manufacturing Co., Worcester, Mass.
S-K Wayne Tool Co., Sub. of Symington-Wayne Corp., Chicago, Ill.
Snap-On Tools Corp., Kenosha, Wis.
Stanley Tools, Div. of The Stanley Works, New Britain, Conn.
Stevens Walden, Inc., Worcester, Mass.
Stream Line Tools, Inc., Conover, N.C.
P. A. Sturtevant Co., Addison, Ill.
Superior Tool Company, Cleveland, Ohio.
Thorsen Manufacturing Co., Oakland, Calif.
Torque Controls, Inc., So. El Monte, Calif.
Union Steel Chest Corp., LeRoy, N.Y.
Upson Bros., Inc., Rochester, N.Y.
Utica Tool Company, Inc., Orangeburg, S.C.
Vaco Products Company, Chicago, Ill.
Vaughan & Bushnell Manufacturing Co., Hebron, Ill.
Vichek Tool Company, Cleveland, Ohio.
Waterloo Industries, Inc., Waterloo, Iowa.
Wilde Tool Company, Inc., Hiawatha, Kansas.
J. H. Williams & Co., Buffalo, N.Y.
J. Wiss & Sons Co., Newark, N.J.
Wright Tool & Forge Co., Barberton, Ohio.
Xcelite, Inc., Orchard Park, N.Y.
Rosenberg Bros. & Co., Smithtown, L.I., N.Y.

ABRAHAM & Co.,
New York, N.Y., February 7, 1968.

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

DEAR MR. MILLS: My continued concern for this country's Balance of Payment problem is well known to you. You will recall my repeated testimonies before your esteemed Committee in which I gave wholehearted support to steps to be taken to increase participation by foreigners in the United States securities markets, especially on the basis previously proposed by Secretary Fowler in the "Fowler Report".

You will, therefore, understand my desire to assist with proposals in restricting American tourist expenditure. Allow me, however, to call to your attention that the methods of restraint through taxation of spending at graduated rates is cumbersome. It will be difficult to administer and must invite wholesale evasion.

I warned at the time of the original Interest Equalization Tax that loopholes

exist and will provoke evasion. I refer to my appearances before your Committee in 1963, 1965, February 17, 1967 and July 17, 1967. The subsequent changes in the Interest Equalization Tax have proved that my warnings, based on many years of experience both here and abroad, were justified. I believe we should be aware of the expenditure involved in policing, collecting and enforcing such ill prepared deterrent.

As you have previously asked me if I could suggest something better, I give you an alternative which I consider constructive:

A fixed tax, say 30% on tickets for all foreign travel outside this hemisphere should be levied. Payees should have the right to reclaim part or the total of the 30% for exempt travellers such as students, businessmen travelling for the purpose of producing foreign exchange, sick people on doctor's certificates, etc.

I feel confident that such procedure will be most effective in providing the desired restraint and will act at the same time as a deterrent for unnecessary travel. The present proposal is too tempting for too many people to make use of loopholes. In fact, *the present proposal will create a black market in dollars abroad which would undermine further the financial prestige of the United States.*

It appears to me that there is a certain similarity between the Interest Equalization Tax and the present proposed travel tax, and we thus have an opportunity to avoid past mistakes.

I would appreciate your including this letter in the record of the hearings on the travel tax.

Yours respectfully,

HENRI L. FROY, *Partner.*

AMERICAN SOCIETY OF TRAVEL AGENTS, INC.,
HAWAII CHAPTER,
February 29, 1968.

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

DEAR MR. CONGRESSMAN: The enclosed Resolution is forwarded to you with the urgent request that you oppose the Treasury Department's plan to have a travel tax imposed upon Americans traveling outside the Western Hemisphere. This Resolution was adopted unanimously at the February 27th meeting of the Hawaii Chapter of ASTA and allied persons in the travel and transportation industry.

The travel and transportation industries have pledged their fullest support to the proposals of the Special Presidential Task Force for the encouragement of travel in the United States by tourists from abroad as a means of easing the balance of payments problem. We respectfully solicit your support of these proposals as an alternative to the restrictive program proposed by the Treasury.

Anything you can do will be greatly appreciated.

Very truly yours,

(MRS.) MARY K. ROBINSON,
President.

RESOLUTIONS PROTESTING THE TREASURY DEPARTMENT'S PROPOSALS TO RESTRICT TRAVEL OF AMERICAN CITIZENS OUTSIDE THE WESTERN HEMISPHERE

Whereas, on February 5, 1968, the Secretary of the Treasury submitted to the House Ways and Means Committee of the United States Congress proposals for legislation which would restrict travel outside the Western Hemisphere of residents of the United States, and

Whereas, one of such proposals would tax such travelers spending from $7–$15 per day at 15%, and above $15 per day at 30%, and

Whereas, this proposal, if enacted into law, would strike hardest at the middle and lower income earners, effectively checking the movement and spending abroad of United States residents; it would not deter higher income travelers, but would curtail travel by students, teachers, clergy, retired persons and the average citizen unable to afford the increased costs, and

Whereas, the mandatory declaration of how much money is being taken out of the country and the need to account for it on return would subject travelers to a burdensome and intimidating mass of paper work and the threat of penalties and fines for failing to accurately assess or report expenditures, thus making it

obvious that the intent of these proposals is to ban travel outside the Western Hemisphere and not just to deter travel, thereby curbing the free movement of a free people, and

Whereas, the proposed travel tax represents an abridgment of the historic liberty of Americans to travel freely to the destinations of their choice and would effectively isolate Americans from the cultural traditions which are a treasured element in the nation's heritage; and

Whereas, the proposed new tourist tax would make a mockery of the established principal of voluntary compliance of taxpayers, because if Americans are to be asked to estimate their travel expenses and are made subject to spot checks to determine just how much money they are taking with them, they will inevitably fall into the kind of evasive practices that has become almost normal in some other countries, and such a result could thoroughly undermine taxpayer morale and morality, and

Whereas, the administration proposal would be expensive and ineffective as well; it would inevitably create the need for a large government bureaucracy maintained at additional costs to the taxpayer and would almost surely result in retaliation through similar restrictions by foreign governments, even to the extent of outright prohibition of their citizens to travel to the United States, and

Whereas, the Special Presidential Task Force under the chairmanship of Robert M. McKinney has proposed some far better ideas than the travel tax to ease the balance of payments problem, which proposals would increase tourism to the United States as the soundest means of resolving our present balance of payments deficit, and

Whereas, such proposals would have behind them the full resources of the travel industry and would embody the positive principal of encouragement to travel instead of the negative approach by the Treasury Department.

Therefore, be it resolved:

1. That the undersigned do protest the proposed travel tax and urge the Congress of the United States to decline to enact legislation putting it into effect.

2. That the administration abandon its proposals for the restriction of travel, and instead adopt the recommendations of the Special Presidential Task Force to attract foreign visitors to the United States and otherwise promote a positive encouragement of travel.

3. That copies of this resolution be forwarded to Senators Fong and Inouye, Congresswoman Mink and Congressman Matsunaga urging them to assist in preventing the restrictive tax, and to aid in the positive encouragement of foreign visitors to this country.

[The Resolution was signed by 92 individuals representing numerous travel and related businesses.]

AIR, LAND, SEA, TRAVEL AGENCY,
Little Rock, Ark., February 14, 1968.

Mr. WILBUR D. MILLS,
Committee On Ways and Means,
Washington, D.C.

DEAR MR. MILLS: Never having the opportunity to meet you personally, I feel that I know you from the numerous times that I have voted for you and we have many mutual personal friends—namely Dr. Bob Robins for one, whom I have heard speak of you on numerous occasions, HOWEVER, this is the first time that I have had occasion to send an official letter to you regarding a problem close to my heart since it affects so many of us small business people directly to the extent that we could be put out of operation should the Fowler Proposed Tax on Travel go into effect.

As a Travel Agent, we have such a small number of members as a whole, that I realize we carry no weight as a group, but when you take into consideration the other business associated with Travel who would be involved not to mention the people who book our services, it seems highly unfair and certainly not our usual Democratic Way of Life to be told WHERE, WHEN, and HOW MUCH we can spend on the Vacations which some of us work for years to enjoy that TRIP OF A LIFETIME—namely EUROPE. Should the tax go thru, it will make people who want to avoid the tax simply purchase their tickets thru Canada or Mexico Offices, whom we have been informed are already set up to handle tickets for U.S. Travelers to avoid the Tax.

Right at a time when it seems that our Public Relations with all foreign countries is at a low ebb, we should be doing something to build up our Image instead of further making more complicated situations World wise as Mr. Fowler's plan recommends.

Thanking you for all the help you can give us in this trying matter, we are,

Sincerely,

FAYE FREEMAN, *Owner.*

ARDUNN TRAVEL, INC.,
Pasadena, Calif., February 14, 1968.

Mr. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
1102 Longworth House Office Building, Washington, D.C.:

We are opposed to Mr. Fowler's Travel Tax proposals, because this legislation:

1. is restrictive, punitive, unjust, self-defeating and may well be unconstitutional. What is needed are constructive ideas, not restrictive measures,
2. is unenforceable, unworkable, requiring a large apparatus to cope with the complex paper work and an immeasurably larger bureaucracy to administer. In the end it will cost more taxpayer's money than will be gained.
3. is discriminatory, based upon misleading statistics and is against the American principles of free movement.
4. is a shortsighted expedient which will not solve the payments imbalance but will create serious problems by curtailing the purchasing power of Foreign Countries and Carriers for American products, such as aircraft (2.5 billion worth on order at the present time!) components, electronic equipment, etc.,
5. will provoke retaliation from other Governments by blocking purchase of U.S. Products and impeding their Nationals from travelling to the U.S.A. (Foreign Travelers spent almost 1.9 billion for U.S.A. Travel in 1967 the highest ever recorded),
6. in the end, with its far reaching consequences, might produce an even greater imbalance of payments,
7. threatens the livelihood of hundreds of thousands of U.S. Citizens and Taxpayers presently employed in the Travel, Transportation, and Aircraft Industries, etc.

RICHARD DUNN, *President.*

ART'S TRAVEL BUREAU,
Richard, Calif., February 26, 1968.

Mr. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
1102 Longworth House Office Building, Washington, D.C.

HONORABLE SIR: We wish to protest Mr. Fowler's travel tax proposed legislation, which we understand will impose:

(1) A permanent tax on international air transportation and certain international water transportation

(2) A temporary graduated tax on expenditures in connection with travel outside the Western Hemisphere.

We oppose this because the proposed legislature is discriminatory and unjust and may well be unconstitutional

because it is unenforceable, unworkable and leaves too many restricted movement

because it is against the American principle of free and unrestricted movement

because it is a short-sighted expedient which will not solve any problems but rather create more serious problems in the future

The livelihood of our 200,000 citizens is in danger, the rights of millions of Americans are in jeopardy. Mr. Fowler's proposals are a confession of failure, the failure of the Treasury Department to cope with the imbalance problem in a constructive manner.

We submit the above as a formal protest because as Chairman of the Ways and Means Committee we know that you want to know the feelings of people directly concerned with this legislation.

Sincerely,

ARTHUR BARKOFF,
EMILIE V. BARKOFF,
HILDA JORY,
MARIA CARDOSA.

AUERBACH TRAVEL SERVICE,
Easton, Pa., February 20, 1968.

Mr. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
1102 Longworth House Office Building, Washington, D.C.

DEAR MR. MILLS: We would like to register with you our adverse criticism on Secretary Fowler's proposed travel tax program.

(1) The program is restrictive, punitive and self-defeating.

(2) Because of the incredible complexity and amount of paperwork required of the traveler, and the always present threat of possible penalties and fines, it is apparent that the proposals have been designed to produce a ban on travel outside the Western Hemisphere—not just a travel deterrent.

(3) The proposal is discriminatory legislation based upon misleading statistics, and strikes hardest at the middle and lower income earners by increasing their total travel costs approximately 30 per cent. It will also limit the vitally needed student and teacher educational travel by the excessive costs it imposes. It will not deter the wealthy.

(4) It will burden travelers and government with an interminable volume of paperwork that will be impossible to administer equitably and create a larger bureaucracy at additional cost to the taxpayer.

(5) Inevitably it will bring injurious retaliation through similar restrictions by foreign governments—even to the extent of outright prohibition of their citizens to travel to this country.

(6) It would drastically reduce many countries' vitally needed tourist dollars they use to pay for U.S. goods and services, thus affecting adversely our favorable overall trade balance.

(7) If enacted, it would undoubtedly cause the cancellation of much of the almost 2.5 billion dollars in air craft orders placed with U.S. manufacturers by foreign carriers and cause substantial unemployment in the aircraft, components and electronics industry.

(8) A further drain on the U.S. dollar position will be generally by the need to replace tourist dollar earnings with greater foreign aid appropriations.

(9) To the travel agent these proposals represent a threat to their existance. We have small and large groups to Europe, whose cancellations would rock our foundations; as we have expended money, plus labor (equated with money!) for at least eight months, developing the programs which our clients had requested from us. We are just small businessmen, supporting families on our commissions. Once we get cancellations on group programs, that we've spent hundreds of hours developing, we can never get those hours back for productive work. It will be a hopeless situation here!

(10) We have pledged enthusiastic support of: feasible programs to promote increased two-way tourism to the United States as an effective method to reduce this imbalance. We are participating in a cooperative campaign to bring more tourism to the U.S. A realistic 15 per cent increase in tourism to the U.S. is possible by this means and would provide positive assistance in reducing the gold imbalance problem.

Please have our sentiments made known to the proper places.

Very truly yours,

(MRS.) L. JOYCE GIBBONS, C.T.C.,
President.

BAL-MAR TRAVEL SERVICE,
Corona del Mar, Calif., March 1, 1968.

Mr. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
1102 Longworth House Office Building,
Washington, D.C.

DEAR MR. MILLS: In reference to Secretary of the Treasury Fowler's series of proposals intended to limit travel by Americans outside the Western Hemisphere, I am opposed to any "Quickie" solution or any specified time limit for any taxes or restrictions. The situation did not arise overnight and should not be expected to be corrected overnight. And, as the entire deficit was not created by Americans traveling overseas, neither should the correction of this deficit be expected by curtailing travel overseas by Americans.

It is wrong to compare the expenditures of American tourists abroad to the expenditures of foreign tourists visiting the United States. True, there are more

Americans traveling abroad than there are foreigners visiting the United States, but this is natural thing. After all, this is the United States of America, the bulwark of freedom, and Americans all through history have been able to move about freely, while there were other nations who kept their people in.

To merely subtract the income derived from foreign tourists from the outgoing expenditures of American tourists abroad does not give the true picture. Consideration should be given to the enormous amounts of money spent by foreign governments and foreign airlines in the United States to generate and promote travel. Most airlines buy their planes in the United States, and millions of dollars are spent in advertising and promotion in the United States. Thus, many industries would be adversely effected if overseas travel were curtailed. And, as many retail travel agents would be forced to do, we would be forced out of business which would mean five people other than myself would be seeking employment in another field or be unemployed.

However, much more important is the ideological aspect. Freedom of movement . . . Travel . . . is an inalienable right of the free man. Travel is no more the rich man's pleasure. It is now in the realm of the common man. It may be recreation . . . but, recreation of spirit and mind, broadening and enriching one's mind. It comes in the same area as reading, listening to music, etc., and one cannot imagine curtailment of these things . . . in other words, curtailment of education. Thousands of students and teachers travel, and who would think of curtailing education in the broader sense?

Another aspect is that the United States Government spends money on the United States Information Service, the Peace Corps, etc., all necessary to tell the true American story abroad. In the past American tourists may have run up against criticism here and there, which is normal among human beings, but do not underestimate the knowledge they have spread abroad about life in the U.S.A., if it was only because of personal contact. In dealing with our clients we have always promoted the idea, "Travel is the Passport to Peace". In this shrinking world of ours, where we are already reaching out into space, it is inconceivable to stop free men from meeting each other.

In endeavoring to combat the so-called travel deficit, the only healthy manner is to step-up the good work of the U.S. Travel Service by giving them a much larger appropriation in order to promote tourism towards the United States on a much larger scale. And here, too, it is not just economics. It is extremely important for the United States to have more foreigners visit the country to see for themselves what American life is all about, instead of only deriving their information about the U.S. through often misinformation and slanted news reports. There should be more services established to provide ease of travel for our foreign visitors, which would employ many foreign speaking people not presently employed, or not employed where they are using this knowledge and ability.

Again, I urge extreme caution in the approach to this matter. After all, hitting the travel industry is hitting human beings. Tourists cannot be thrown in the same baskets as commodities.

Respectfully submitted,

Miss GENE TAYLOR,
Manager-Partner.

BLACKSTONE VALLEY TRAVEL SERVICE,
Whitinsville, Mass., February 17, 1968.

Mr. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
1102 Longworth House Office Building,
Washington, D.C.

DEAR SIR: This letter is a formal statement of protest against the proposed legislation to restrict travel.

It is my feeling that any retention of dollars due to these restrictions will be more than offset by losses in exports and losses in dollars spent in this country by foreign travelers.

I would respectfully like to submit the following proposal to correct the balance of payments deficit:

1. Encourage foreign travel in this country by increasing the advertising budget to promote this travel.

2. Stop giving away dollars in our aid program as it seems to me it is better to let countries earn dollars than giving them to them for nothing.

In conclusion, I feel that the mood of the country indicates that Congress will be repudiated in November for any restrictions which it may see fit to make at this time.

Very truly yours,

GEORGE M. KURZON.

STATEMENT OF JIM HERMAN, COSTA MESA TRAVEL AGENCY

INFORMATION AND SUGGESTIONS REGARDING SECRETARY OF TREASURY FOWLER'S PROPOSAL FOR TRAVEL RESTRICTIONS

I. *The administration's program* for reducing the $2 billion drain generated by American tourists, was probably devised with the best of intentions. Despite some good features, this proposal has some very serious defects. The lowering of duty-free allowances may be considered as reasonable. The 5% travel tax is negative, but this item is open to question. But the proposed tax on expenditures while out of the country is, in our considered opinion, definitely not right, for reasons listed below:

II. *Repudiation of our historic right to travel freely*, as repeated many times in administration statements: ie:—President Johnson, in commending the designation of 1957 as International Tourism Year, said: "The principle of two way travel and of unhindered access by the citizens of all countries to all other countries was reaffirmed and strengthened".

Vice President Humphrey, in an address last May said; regarding the "Discover America" movement, "despite the pressures which continue on our balance of payments, we shall continue to resist any restrictions on the right of our people to travel where they choose". Other similar statements have been made by various spokesmen of the administration. The administration should be consistent, period. We cannot encourage travel *to* America by those living overseas by restricting our citizens from travel to other countries.

III. *Misleading statistics.*—The claimed travel deficit—$2 billion. Travel to Canada and Mexico account for almost half of the amount. (One may visit these countries with the administration's blessings). Certain essential business travel further reduces the gap of "tourist spending". The travel of dependants of military personnel needlessly stationed overseas, could be eliminated by stationing the military in the U.S. (Modern aircraft make Europe only a few hours away in the event of crisis, and the relocation of military payroll would practically eliminate the dificit).

IV. *During the period 1946–1966*, seventeen European airlines reported net passenger sales in the U.S. of 2.079 billion. In this same period, these same airlines spent 2.572 billion in the U.S. for aircraft, engines and spare parts, which gave the U.S. a favorable trade balance of $479 million on these three items alone. Last year, 1967, all foreign airlines spent almost $1 billion on U.S. aircraft, components and navigational devices. The amount paid by U.S. citizens to foreign carriers, over the amount paid to U.S. Flag carriers for foreign travel was only $580 million. Thus, the actual balance of trade on these items mentioned above was $341 million in our favor. *Possible retaliatory measures* could include: Undoubted effect on $2.5 billion in aircraft orders from the U.S., which conservatively will cost in the area of $400 million. The obvious result would mean a considerable amount of unemployment, effecting all parts of our country.

V. *Purchase of tickets in other countries.*—(Mexico and Canada)—In order to avoid taxes on air and steamer travel, and the possible tax for expenditures overseas, some passengers may cross our border and buy their trickets. Although some form of control might be attempted, there is some question as to how enforcible it might be. Quite a number attempt to cheat on income tax declarations. Why not do the same with travel declarations?

VI. *Cost of Administration.*—An enlarged bureaucracy would be necessary, piling an additional burden on the taxpayers.

VII. *Difficulty for traveler.*—The proposed form that the traveler would have to fill out (in spite of Mr. Fowler's statement that it is simple), is unbelievably complicated. One would practically need an accountant to accompany him on his trip in order to conform with the requirements as stated. Again, more bureaucratic personnel to administer, would be necessary.

VIII. *The proposal probably would.*—Create more problems in the future. By retaliation as mentioned before (Public Library statistics, as of February 8,

1968, show that as of March 1967, approximately 4,168,000 U.S. citizens were directly connected with the travel industry). There are many other thousands connected indirectly. If the proposal is passed, more than half of these people could conceivably become unemployed. Also, might mean necessity of increasing foreign aid, and aforementioned possible illegal purchase of tickets outside of the country.

XI. *Government aid in development of super-sonic aircraft.*—How can we reconcile the government's pledge of $1.2 billion for the development of a super-sonic air transport, which can only be justified in terms of a huge expansion of American tourist travel abroad?

X. *Military spending in Europe.*—At least 3 to 1 more than tourist spending. Why leave troops and dependants in Europe, a tactic which dates back to World War II, and is now unnecessary? In line with this, most of our embassies are overstaffed. We have been told that our Embassy, Consulate and information service in Rome has over 1000 employees. (A point that we cannot verify).

XI. *Positive suggestions.*—(1) See statements attached, in which both foreign airlines and steamship companies verify their positions on balance of payments. Lufthansa German Airlines—"every cent of every dollar in revenue, earned by Lufthansa in the U.S. is being retained in the U.S." (2) Swedish American Line—"During 1967, Sweden spent $135,000,000 more in the U.S. than the U.S. spent in Sweden—58.74% of revenues spent in U.S." The Swedish American Line has quite a successful "Visit America" program. And (3) to quote Scandinavian Airlines pledge to Mr. Fowler (boiled down version), S.A.S. has already invested more dollars in the U.S. than it has earned during the last two decades. Also, we have orders pending for about $200 million in new American aircraft". They too have a "Visit America" program, and point out than Scandinavia brings in more dollars to the U.S. than it takes out. 60,000 Scandinavians visited America in 1966. Without our tourist dollars, they claim that they could not continue to buy so much from America. They support the U.S., and do not participate in the "drain gold" philosophy. S.A.S., Trans-World Airlines and other trans-Atlantic carriers have proposed a low directional fare from Europe to the U.S., to further encourage travel in our direction.

XII. *Use of foreign currencies.*—We understand that $1.4 billion in foreign currencies is now in the U.S. treasury, and we have U.S. funds in countries overseas that might be made available to U.S. tourists. The red tape involved in purchasing our 'counterpart funds' from our embassies abroad is too time consuming and difficult to make this worth while.

XIII. *Visit America Program.*—We believe that a substantially expanded program of reduced directional fares would do much to increase travel to the U.S. Also, the Congress and Ways and Means committee might do well to consider the proposal by Congressman Ruess to establish a joint industry/government incentive travel stamp program, providing for reduced rate travel and accommodations in the U.S. for foreign visitors. The domestic air carriers as well as the overseas airlines have indicated a desire to go along with this idea.

XIV. *The special government/industry report.*—Called for by President Johnson in early 1967, Task Force appointed in November of 1967, and told to have interim report ready by February 15, 1968. As Senator Javits said, "instead of waiting for the report so that it could be considered concurrently with that of the treasury department, the department presented its testimony on February 5 on restrictive measures on travel just ten days before the Task Force's first report was due. This makes no sense to me", the Senator said. "Before restrictions are called for, he added, every conceivable positive measure should be tried. Restrictions on travel are self defeating", etc.

XV. *Conclusion.*—Our barriers will bring retaliatory barriers—our restrictions will bring retaliatory restrictions and not only will our tourism earnings fall, but our favorable trade balance will be in jeopardy, and possibly eradicated.

The discriminatory, self-destructive proposals must be overwhelmingly rejected by an aroused public and Congress, and productive alternatives adopted.

CROWN TRAVEL COORDINATORS INC.,
South Pasadena, Calif., February 13, 1968.

MR. WILBER D. MILLS,
Chairman, The House Ways and Means Committee,
Washington, D.C.

DEAR MR. MILLS: This is by way of a formal protest statement with reference to the Travel Tax proposals subject to a public hearing by your committee next

month. We are opposed to the legislation for a number of reasons but primarily the following:

1. The livelihood of at least one quarter million citizens engaged in the transportation industry will be in danger.
2. The rights of millions of Americans are in jeopardy.
3. These same Americans should not be made to pay for the failure of the Treasury Department and the U.S. government to cope with the inbalance problem in a constructive manner.
4. It is against the American principal of free and unrestricted movement.
5. It is an unworkable solution.
6. It is a discriminatory legislation and is in all probability unconstitutional.

May we go strongly on record as objecting most vehemently to any affirmative votes on this legislation.

Sincerely yours,

ESTELLE MARTENS, *President.*

DAUGHERTY TRAVEL AGENCY,
Allentown, Pa., February 12, 1968.

Mr. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
1102 Longworth House Office Building, Washington, D.C.

DEAR CHAIRMAN MILLS: The restricting of travel by American by way of a travel tax is a most discriminatory and unjust restriction, not only from my viewpoint as a travel agent, but from the viewpoint of the general traveling public. The well-to-do will find means of circumventing the tax; the average American will be the one to suffer.

There are alternative means of dealing with the balance of payments deficit, without seeking out one segment of American business.

Please, accept this letter of protest from this travel agency and its many, many clients, and include it in the official records of the hearing.

Very truly yours,

F. W. DAUGHERTY, Jr.

EMCOR TRAVEL, INC.
New York, N.Y., February 29, 1968.

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

DEAR MR. CHAIRMAN: As President and Owner of a typical Retail Travel Agency, I would like to direct to the attention of your Committee a brief summary of what seems to be the reactions of our clients to a travel tax, as well as our own thoughts. I have read so much that has been accurately reported and already filed with your Committee that I hesitate to add to the volume. However, if I may be permitted to summarize a few points, I would be most grateful.

1. *5% Sales tax on all travel tickets.*—Everyone will go along with this tax, happily so, feeling they are helping out *provided* this tax is applied without exceptions, save Federal Employees traveling on Government assignments. Yes, this means no more tax-free foundations moving large charter groups without a travel tax, churches, educational people et al. ALL or NONE.

2. *Total opposition to a head tax or restrictive money measures.*—No one is convinced this type of taxation or restrictions is necessary and that the government should look to far more expensive, wasteful programs to cut than this.

3. *Equality of taxation as to income.*—Not possible. Travel is not compulsory and no money is spent on private travel that has not already been saved in advance and comes out of their disposeable income. After people have paid their annual tax bill and have managed (often by absolute personal sacrifice) to have a few dollars left over, they are *not* going to be cooperative in declaring this money to government agents. The resentment on this item is amazing and vicious.

4. *Conclusion.*—Compiling all the statements regarding the pros and cons, coupled with the actual need versus the "whipping boy" attitude on the Travel Industry and all its multi-parts, my humble recommendation to your Committee would be to report out a fair (no exemptions) tax on travel tickets and leave the rest alone.

Thanking you for your kind attention, I remain,

Respectfully yours,

HARRIETT EMERSON (Miss).

EVELYN SCHEYER TRAVEL SERVICE, INC.,
New York, N.Y., February 19, 1968.

MR. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
1102 Longworth House Office Building, Washington, D.C.

DEAR MR. MILLS: It is our urgent concern that the new legislation proposed by the President to tax travel, and the amount of money one spends outside of the country, be completely eliminated for several reasons:

(1) It is patently discriminatory, and a few people are being asked to bear the burden of many.

(2) It is an impossible law to enact, because of the extreme difficulty in the administration of it.

(3) Every American traveler will turn to devious means to avoid paying any taxes, including the easy one of traveling to Canada before leaving the United States.

(4) A tremendous burden will be put on the travel business, as well as the airlines and aircraft industry.

(5) It squelches what we believe to be an American birthright—free and unrestricted travel throughout the world.

We earnestly hope that your committee will not give the President this legislation which he has proposed, and that a more reasonable answer may be found to bring this country back to a stable economy.

Very cordially,

FRED DEL POZZO.

EVERGREEN TRAVEL SERVICE,
Lynwood, Wash., February 22, 1968.

Re proposed travel tax legislation.

MR. WILBUR D. MILLS,
Committee on Ways and Means,
Longworth House Office Building,
Washington, D.C.

DEAR MR. MILLS: We are opposed to the proposed travel tax legislation for the following reasons:

The Proposed legislature is discriminatory and unjust.

It is against the American principal of free and unrestricted movement.

It is short sighted expedient which will not solve any problems but rather create more serious ones in the future.

The livelihood of our 200,000 citizens is in danger.

The travel deficit has not been computed correctly. Not included on the PLUS side has been the money spent by foreign countries for aeroplanes, parts, advertising in this country, airport charges, communications and commissary expenses, by foreign tourist offices. Equally significant (and not included in the government report) the more than $127 million spent and earned by domestic airlines from passengers on connecting flights to foreign countries.

I am in favor of restricting or doing away with completely for the present time the $100.000 allowed exemption on merchandise brought into the United States from foreign countries, as well as the $10.00 daily gift allowance.

I propose that we do as Great Britain has done. Allow our clients to prepay in full for all hotels, meals, sightseeing, tips and airfare, and take only a small amount out of the country for spending money.

May I respectfully request that your committee carefully consider the damage that will be done to the travel agents throughout the country. This proposal will deliberately put out of business many companies.

Sincerely,

BETTY J. HOFFMAN,
Owner-Manager.

FUN TRAVEL SERVICE,
Puyallup, Wash., February 15, 1968.

MR. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
U.S. House of Representatives,
Washington, D.C.

DEAR SIR: With reference to the proposed legislation concerning (1) a permanent tax on International air transportation and certain International water

transportation, and (2) temporary graduated tax on expenditures in connection with travel outside the Western Hemisphere, I wish to emphasize, after having discussed this with fellow members of my profession and many members of the general public completely divorced from my profession, that I am unalterably opposed to this legislation for the following reasons:

FORMAL STATEMENT

1. The proposed legislation is discriminatory and unjust and may well be unconstitutional.
2. It is unenforceable, unworkable and leaves too many loopholes.
3. It is against the American principle of free and unrestricted movement.
4. It is a short-sighted expedient which will not solve any problems but rather create more serious problems in the future.
5. The livelihood of our 200,000 citizens is in danger, the rights of millions of Americans are in jeopardy. Mr. Fowler's proposals are a confession of failure, the failure of the Treasury Department to cope with the imbalance problem in a constructive manner.

I trust that this protest will be properly channeled to create its most effective impact on your committee's weighty decision.

Respectfully submitted,

JOHN P. MADDEN,
Executive Manager.

GELSTON JUDAH TRAVEL ADVISORS,
San Francisco, Calif., February 19, 1968.

Hon. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
U.S. House of Representatives,
Longworth House Office Building,
Washington, D.C.

DEAR MR. MILLS: In your consideration of the Secretary of the Treasury's travel tax proposal, which I understand is due presently for a public hearing by your Committee, I should like to go on record as being completely opposed to any such legislation as proposed by Mr. Fowler for the following reasons:

1. The proposed program is discriminatory and unjust, based upon inaccurate and misleading statistics, and in this writer's opinion it is unconstitutional.

2. The proposed program is unenforceable, unworkable, and leaves many loopholes. To illustrate: If travel within the Western Hemisphere is permitted without penalty of tax, what is to prevent both travelers and business enterprises to remove their physical goods and selves to other geographic areas within the Western Hemisphere where valid U.S. passports are not required, then at these points complete arrangements to points abroad, resulting in a TOTAL loss of business from the approximate 6,000 to 7,000 travel agencies within the U.S.A. who either will be forced out of business or who will close their offices within the U.S. and remove their business to such points as Canada, Mexico, The Bahamas or the Central American States further eliminating a prosperous business enterprise from the American scene.

3. The entire act is in contradiction to the American principle of free and unrestricted movement. It is an isolationist act which will reduce any hope of world peace through knowledge of and mutual understanding of other people, and will bring the United States into a new period of Dark Ages, wherein truth and knowledge are buried by bureaucratic confusion.

4. The proposed legislation is a short-sighted measure which will not solve any problems but rather will create more serious problems in the future. Consider the type of policed state we would be headed for should any part of this proposed legislation be enacted.

5. The waves which ultimately will be generated by the enactment of such legislation, the chaos and disaster will be unthinkable. The livelihood of 200,000 citizens is in danger, the rights of millions of Americans are in jeopardy. So that you may know that President Johnson and the Secretary of the Treasury already have brought irrepairable hardship to my own business and to the travel industry in general, I am attaching herewith photostatic copies of letters of cancellation which I have received from long-time clients whose continued patronage is the backbone of my business.

I have figured the proposed tax on one of these tours alone, which would have come to $1,914.83! Obviously, any law-abiding citizen who is in a position to take

annual holidays of this caliber already is contributing taxes at the 50% level, or higher—further taxing already taxed dollars to the extent proposed can only be classified as a new 20th century form of SLAVERY. I am ashamed to think our Head of State to be such an introvert as to propose to our Congress legislation which can bring nothing but disaster to the American people.

Further cancellations continue to be made in person and by telephone. New business is at a complete standstill.

Rather than promote further failure by our Administration and Treasury Department's inability to cope with the imbalance problem, it is this writer's opinion that immediate and constructive action should be taken to promote travel within the United States by foreign nationals by decreasing red-tape in their obtaining temporary tourist visas or tourist cards for travel within the U.S.A., by promoting a positive program to attract citizens of those countries who presently do have the monetary ability to visit the United States but who do not have the desire to come to know us because the promotion of our own national product abroad is lacking. It is my understanding that during the year 1967 the Province of British Columbia, Canada, spent in excess of one million dollars in the promotion of tourism to that Province alone from points within the seven western states, whereas during the same period the entire budget for the Visit U.S.A. program spread among the ENTIRE WORLD was only slightly in excess of this one Canadian Province in its promotional efforts directed to one sectional area alone of the United States. How can we hope to maintain cordial relations with the rest of the world without the assistance of Congress and our Chief of State?

Let us continue together in positive actions to bring our nation in tune with the rest of the world, and not regress to a negative path of action.

Yours sincerely,

GELSTON C JUDAH, *President.*

HOLIDAY TRAVEL SERVICE, INC.,
Evansville, Ind., February 17, 1968.

Mr. WILBUR D. MILLS,
Chairman, Committee on Ways and Means, U.S. House of Representatives, Longworth House Office Building, Washington, D.C.

DEAR MR. MILLS: I would like this to be considered a formal request to you and your committee to oppose the Travel Tax request from Mr. Fowler of the U.S. Treasury Department.

As a spokesman for a suffering, under-paid industry, I feel as though you and your committee have not been told the truth about the deficit in the balance of international payment and spending.

I have taken numerous trips abroad. I have talked with hundreds of others who have taken trips abroad. Not in one single case have any of us been asked, by any government, including our own, "how much money did you spend on your trip". Without this information, who can give an accurate figure on the deficit in travel spending? Instead, they, the Treasury Department, seemingly "reaches into the hat and pulls out any convenient figure to match or meet their needs".

I for one, feel as though this proposed Travel Tax will make our friends to the north (Canada) one of the most prosperous nations in the world, if this tax is passed. We will see a mass exidous to nearby Canadian cities, where our people will purchase their travel requirements without tax. Then what have we as a nation gained?

Please, please, please, do not pass this Travel Tax. Nor use it as an appeasement to our President for other tax measures he asked for and was not granted.

Sincerely yours,

JAMES L. WILLIAMS, *President.*

INTERNATIONAL TRAVEL AGENCY,
Mount Clemens, Mich., February 17, 1968.

Mr. WILBUR D. MILLS,
Chairman, Committee on Ways and Means, U.S. House of Representatives, Longworth House Office Building, Washington, D.C.

DEAR MR. MILLS: As just a small independent businessman and Travel Agent I would like to protest legislation that is under consideration by your committee.

This legislation which would impose a graduated tax on expenditures in con-

nection with travel outside the western hemisphere, if passed, will impose an almost unbearable burden on the small agent like myself.

As we see this, such legislation is discriminatory to only one small segment of the whole balance of payments problem. Also it is unenforceable with many loopholes for the ones you are trying to reach.

In all the history of this country there has never been any attempt to deprive Americans of free and unrestricted movement.

Although I do not believe you will accomplish your objectives of restricted movement, you may well in the process eliminate just one more small business like ours. I urge your committee to respond to this sincere plea and table permanently any such discriminatory legislation.

Very Sincerely yours,

M. W. CHAMBERLAIN, *Partner.*

L–D TRAVEL SERVICE,
Denver, Colo., February 13, 1968.

Re travel tax proposals.

Mr. WILBUR D. MILLS,
Chairman, Committee on Ways and Means, U.S. House of Representatives, Longworth House Office Building, Washington, D.C.

DEAR SIR: As a member of the Association of Retail Travel Agents, the proposed legislation which concerns us primarily comes in two parts:

(1) A permanent tax on international air transportation and certain international water transportation;

(2) A temporary graduated tax on expenditures in connection with travel outside the Western Hemisphere.

We are opposed:

Because the proposed legislature is discriminatory and unjust and may well be unconstitutional; Because it is unenforceable, unworkable and leaves too many loopholes; Because it is against the American principle of free and unrestricted movement; Because it is a short-signed expedient which will not solve any problems but rather create more serious problems in the future;

The livelihood of our 200,000 citizens is in danger, the rights of millions of Americans are in jeopardy. Mr. Fowler's proposals are a confession of failure, the failure of the Treasury Department to cope with the imbalance problem in a constructive manner.

Very truly yours,

MARY O. VENABLE, *President.*

MARGARET CHASE TRAVEL SERVICE,
Phoenix, Ariz., February 27, 1968.

Mr. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
U.S. House of Representatives,
Longworth House Office Building,
Washington, D.C.

DEAR MR. MILLS: We are opposed to the proposed legislation which would tax the traveler departing this country because:

1. It is discriminatory and unjust and may possibly be unconstitutional.
2. It is unenforceable, unworkable and leaves too many loopholes.
3. It is a short-sighted expedient which will not solve any problems but rather will create more serious problems in the future.
4. It is against the principle of free and unrestricted movement which is part of the American image and reality.

The few liberties we possess are being chipped away day after day. To tax foreign travel is to restrict it to some extent. This is alien to the Nation's purpose.

Thank you for your courteous attention to the point brought out in this letter.

Sincerely yours,

MRS. VINCENT CHASE.

MEADOWBROOK TRAVEL AGENCY,
East Meadow, N.Y., February 12, 1968.

Re travel tax proposals.

Mr. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
U.S. House of Representatives,
Longworth Houe Office Building,
Washington, D.C.

DEAR SIR: This letter is in regard to Mr. Fowler' tax proposal on a graduated tax on expenditures in connection with travel outside the Western Hemisphere, which we are protesting.

Very sincerely yours,

MARIAN A. THOMPSON,
Owner/Manager.

MERRIMAC TRAVEL,
Lowell, Mass., February 23, 1968.

Re: travel ban.

Hon. WILBUR D. MILLS,
House of Representatives,
Washington, D.C.

DEAR REPRESENTATIVE MILLS: As Chairman of the New England Agents committee on travel liberty, I have done extensive research on the so called "travel gap." Since there are so many other gaps in the dollar drain, it is most unfortunate for the American Public that their rights to free movement are to be sacrificed for the sake of approximately 2 billion dollars, when we are spending 36 billion annually to preserve freedom in Viet Nam.

Even if you enacted the punitive legislation that the treasury department is advocating I am sure that by now, the press analysis which you would have read, has convinced you that the severe retaliation from abroad would cancel any savings you make. I have been further advised that EXPO 67 caused quite a bit of the imbalance.

Anything enacted beyond the simple tax on an international ticket, would be folly. Even, this tax, would have to be assessed at departure on any ticket brought abroad to duck the tax, lest firms would have their international offices purchase their tickets abroad.

Lest you feel that I am motivated by a self serving nature, please take cognizance of the fact that my business is *predominantly* domestic U.S.A. . . . my nick name is Miami Mike, which would not find me international! My close knowledge of the problem motivates me.

I am deeply concerned that the imprudent, ill-conceived, arbitrary piece of legislation that the treasury department has presented to you. It is the most fatal blow ever perpetrated on us American freedom loving people. The very punitive nature of it is without parallel in our history.

Chairman Mills, I would not write you in this manner if I had nothing to offer! For two years I have anticipated this problem, and have been thinking out the solution for this time. It is not a panacea, but I know it will work, as well as you know your business.

Here it is: The problem; There are literally hundreds of tours for U.S.A. citizens to visit Europe . . . stop in to any travel agent. There are virtually no tours for Europeans to come here. Why . . . the simple reason that 1. Agents are inhibited by a 30 year old rule, Sect. 211 of the I.C.C. act, prohibiting agents from running bus tours! ! !

2. These tours, so set up, must have separate departures for each ethnic country abroad. We publish one tour of Europe, and it fits 200,000,000 Americans. To market abroad, we need one for each major country.

In other words, asking Europeans to come here, without us having the goods, is folly. We must *produce* these ethnic tours, then market them. *Not* spend a fortune on U.S.T.S. when I can tell you truthfully, that the United States of America is *not* currently equipped with tours for these people.

Please read the enclosed report [in committee file], with the understanding that, if punitive legislation is enacted on our travelers, the Europeans will just boycott us and compound the problem. We have been buying their good will for years, why kill it now!

Sincerely yours,

MICHAEL A. SPINELLI, *Owner.*

STATEMENT OF MR. JACK NELSON, PRESIDENT, NELSON TRAVEL SERVICE, SHAWNEE MISSION, KANSAS

COMMENTS

1. Although loss of business is of concern, I am strongly opposed to the subject program because of the disastrous effect of such legislation on the U.S. economy and the American people. This has always been a nation of freedom of travel, as well as expression, and such a program as proposed would restrict individual freedom. One immigrant was heard to say, "I came to this country in the first place for freedom because I was told where I could travel and when, back in Europe. But, now, there is talk of the same thing here."
2. The proposal is discriminatory legislation based upon misleading statistics, and strikes hardest at the middle and lower income earners by increasing their total travel costs approximately 30 percent. It will also limit the vitally needed student and teacher educational travel by the excessive costs it imposes. It will not deter the wealthy.
3. It will burden travelers and government with an interminable volume of paper work that will be impossible to administer equitably and create a larger bureaucracy at additional cost to the taxpayer.
4. It would drastically reduce many countries' vitally needed tourist dollars they use to pay for U.S. goods and services, thus affecting adversely our favorable trade balance.
5. If enacted, it would undoubtedly cause the cancellation of much of the almost 2.5 billion dollars in aircraft orders placed with U.S. manufacturers by foreign carriers and cause substantial unemployment in the aircraft, components and electronics industry.
6. A further drain on the U.S. dollar position would undoubtedly be generated by the need to replace tourist dollar earnings with greater foreign aid appropriations.
7. Since European travel is higher rated and higher commissioned than domestic travel, our sales would be reduced to the point where we would be facing a loss position, our federal income tax would be wiped out, and possibly our company.

RECOMMENDATIONS

1. Feasible programs to promote increased two-way tourism to the United States, to reduce the imbalance of payments.
2. The organization of travel agents throughout the world in a cooperative campaign to send more tourism to the U.S.
3. The development of more low priced tours that will accent the possibility for a greater number of people to visit the U.S. All airlines, including foreign flag carriers, are now actively promoting this type of tourism.
4. Step up exports with the help of international airlines' marketing systems as well as those of the Department of Commerce including trade missions, export seminars, advice and counsel. It seems fantastic that the business-men of our country, willing to travel to Europe to promote our exports, are now about to be penalized for doing so.
5. Re-examine the facts and figures supporting the statement that there *is* an imbalance of payments position with respect to Europe particular in view of the recent flood of direct mail brochures and literature received from the foreign flag carriers testifying to the fact that in their particular cases the imbalance is in favor of the U.S.

ONTARIO TRAVEL BUREAU,
Ontario, Calif., February 13, 1968.

Mr. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
U.S. House of Representatives,
Longworth House Office Building,
Washington, D.C.

DEAR SIR: The administration's proposed travel taxes should be soundly defeated.

It is a slap in the face to any country Americans want to visit and will undoubtedly provoke more "anti-American" feelings (which we have enough of now) and retaliatory measures by other governments to restrict their citizens from visiting the U.S.

In the over-all picture, we'll probably lose monetarily as well as in public opinion. Notice the "Back Britain" movement in England has already started. It probably was partially inspired by our wanting to curtail travel to England.

Sincerely yours,

DAVE JOHNSON, *Owner.*

PENINSULA TRAVEL SERVICE,
Monterey, Calif., February 15, 1968.

MR. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
U.S. House of Representatives,
Longworth House Office Building,
Washington, D.C.

DEAR MR. MILLS: This is a formal statement of protest against the proposed legislation of any restrictive tax on travel abroad by United States citizens.

Treasury Secretary Fowler's proposals display a lack of knowledge or indifference to the actual monetary figures involved in the "travel gap", widely advertise the economic misjudgment and inept stewardship of this administration and offer a myopic expedient which will create more monstrous problems to solve in the future.

Mandatory controls on travel abroad will be inequitable and disastrous for these, among many, reasons:

1. Collection, accounting and policing of revenues alleged to accrue from penalty taxes on foreign travel may cost more than the amount supposed to be saved. Mr. Fowler has not given an estimate of the cost of this proposed operation and the creation of another expensive bureaucratic pyramid may well be false economy.

2. Discrimination against the "little man" will be most great. The "jet setter" and the businessman will be able to go wherever and whenever they choose or must, regardless of additional cost. The student, teacher and "save-for-a-lifetime" working man will be denied foreign travel because of increased cost. These latter are the segments of U.S. society which benefit most from travel abroad and contribute most effectively to show the benefits of U.S. democracy.

3. Circumvention of any tax on the greater portion of foreign destination transportation will be possible for the determined traveler. The U.S. carriers and travel agents may well find themselves deluged for tickets to Canadian, Mexican and Bahaman cities and for reservations (for which no revenue will be paid in the U.S.) from those cities to Europe, etc. This will be a boon to foreign carriers, penalize U.S. carriers, eliminate most U.S. travel agents from business completely and reduce revenue paid by foreign carriers in the U.S. for operational costs and purchase of U.S.-produced aircraft.

4. Many countries have a deficit to the U.S. of which these are but a few: Swedish-American Line claims that Sweden spends $140 million more in the U.S. than America spent in Sweden and that 49.44% of the Lines' U.S. derived revenues were spent in the U.S. for "supplies and operation expenses". Holland-America Line says "60% of dollars earned goes back to the U.S. directly". Lufthansa claims to have spent more than 550 million dollars on American aircraft since 1955 and has contracted for future delivery of over 130 million dollars in American-built aircraft. In addition, it claims that every dollar earned by Lufthansa in the U.S. is retained in the U.S.

5. A travel tax is discriminating against one segment of international trade. When should there be a travel balance but no coffee, tea, steel, petroleum, etc., balance? The deficit figures on these items alone would be most revealing to the taxpayer.

We offer a few positive and more workable suggestions to eliminate a travel deficit.

1. Utilization of "counterpart funds"—the reserves abroad in foreign currency owned by the U.S.—to launch large-scale promotions of travel *to the U.S.* in media abroad and to allow American flag carriers to expand their promotions overseas. These "counterpart funds" could also be made available to tourists from the U.S. for spending in each of the countries visited.

2. Increase of the U.S. Travel Service budget to a realistic level to obtain optimum results in securing sufficient tourist travel to the U.S. to maintain an equitable balance. A comparison of the U.S. Travel Service's budget to that of other nations' tourist bureaus which have been successful in attracting

high visitor records could easily show the "penny-wise pound-foolish" policy of the U.S.

3. Eliminate expensive, irritating and useless visitor entrance procedures (visa, etc.) which repel the foreign tourist, costs the U.S. greatly in bureaucratic expense and seem to serve as no deterent to U.S.-deemed undesirables who are able to enter the U.S. in spite of the procedures.

4. Offer special inducements to foreign visitors as is done in many European countries. These could include all-inclusive, low rates for transportation and accommodations, discounts which allow the tourist to purchase gasoline less taxes, etc.

5. Expand much-needed U.S. employment for students by training schools to provide a pool for visitor services which peak during the summer.

Yours very truly,

W. H. BARTHOLD, *President.*
ELLEN W. BARTHOLD.

PROFESSIONAL TRAVEL SERVICE,
Los Angeles, Calif., February 22, 1968.

MR. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
U.S. House of Representatives,
Longworth House Office Building,
Washington, D.C.

This is to inform you that we are strongly opposed to the intended Travel Tax bill being discussed by your Committee for these reasons:

It is discriminating and unjust.

It would be costly and cumbersome to operate, both for the Government and for the travel industry.

It restricts the American's right to travel.

It won't solve the Balance of Payments problem.

If we restrict Americans from traveling abroad, foreign governments will be forced to retaliate and restrict *their* nationals from visiting the USA. So everyone loses.

If people stop flying there will be widespread unemployment in the aircraft industry.

We need to encourage 2-way tourism—not build an iron-curtain to prevent our citizens from traveling abroad.

MANUEL G. RUIZ, *Coowner.*
KIT BARNARD, *Coowner.*

RESERVATIONS PLEASE! TRAVEL SERVICE INC.,
New York, N.Y., February 13, 1968.

HON. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
U.S. House of Representatives,
Longworth House Office Building,
Washington, D.C.

DEAR MR. CHAIRMAN: We are travel agents quite concerned with the proposed legislation which concerns us directly.

As members of the Association of Retail Travel Agents, we are unequivocally opposed to the discriminatory and unjust taxes proposed on travel.

We believe that practically all of the valid arguments which have been offered by our Association together with the airlines, steamship companies, travel bureaus, etc. adequately express our feelings on this proposed legislation.

In addition to the above, our organization last year was one of the principal agencies in the United States that serviced and conducted a "Visit U.S.A." Program. During 1967, we handled over 2000 European visitors, who left in this country approximately $75,000.00 and we have gone to great expense and time in promoting this phase of the travel business. We have published a wholesale and Confidential Tariff for foreign tourist agencies and travel bureaus. We have made two trips to Europe promoting our "Visit U.S.A." Program and we have enlisted the aid of the American and Foreign carriers for their support.

Based upon our conversations and correspondence with our foreign sources, we fear that in addition to the disastrous economic effect that this proposed tax

would have on our industry, there would be a retaliation by the foreign governments which would cause additional hardship to the industry as well as the effect it will have on our balance of payment.

We cannot understand how a government such as ours can be so interested and anxious to help friendly foreign nations through the use of Foreign Aid and then take away the benefits of this Foreign Aid by the proposed legislation.

We would appreciate your cooperation and we wish to thank you for your indulgence.

Sincerely yours,

SAUL T. GRAND.

SALLY PARIS TRAVEL BUREAU,
Los Angeles, Calif., February 23, 1968.

Mr. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
Longworth House Office Building,
Washington, D.C.

DEAR MR. MILLS: We are respectfully submitting to you a petition signed by 261 citizens of the United States who are residing in the State of California, expressing their feelings with regard to the Proposed Travel Tax on Travel outside of the Western Hemisphere. [Petition is in the files of the Committee.]

Please note that every person who signed this petition protested against this proposal on the part of Treasury Secretary Fowler.

We must therefore ask that you please consider this petition as representing the feelings of a cross section of peoples of the United States, since these names come from all walks of life, industries, cultures and backgrounds.

Mostly, the feeling against this proposed tax is one against the restrictions attempting to be imposed against the free and unrestricted movement of citizens of the United States.

It certainly will not improve relationships with foreign governments or peoples and will do nothing to correct the supposed imbalance of trade, but only create chaos and disrespect for Americans everywhere. It will lead to retaliation on the part of foreign governments by forcing them to restrict travel *to* the United States, and the imports of our products. It will affect the economy of practically every locale in the United States in the manufacturing industry and otherwise.

We, therefore, urge that you earnestly consider the negative aspects of Secretary Fowler's proposal and inject your denial of such travel tax.

Sincerely,

SALLY PARIS.

SEVEN LEAGUE TRAVEL,
Monroeville, Pa., February 16, 1968.

Mr. WILBUR D. MILLS,
Chairman, Committee on Ways and Means, U.S. House of Representatives, Longworth House Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: This is a letter of protest against the proposed legislation of a permanent tax on international air transportation and certain international water transportation and the temporary graduated tax on expenditures in connection with travel outside the Western Hemisphere.

We are very much opposed because the proposed legislature is discriminatory and unjust and could well be considered unconstitutional. It is against the American principle of free and unrestricted movement and is unenforceable, unworkable and leaves many many loopholes. Furthermore, the livelihood of 200,000 citizens is in danger. These proposals are a confession of failure of the Treasury Department and their ability to cope with the imbalance problem in a constructive manner.

We hope that you will involve yourself totally in the defeat of these proposals.

Sincerely yours,

P. FRANKLIN LONG.

SHELBY TRAVEL,
Babylon, Long Island, February 14, 1968.

Mr. WILBUR D. MILLS,
Chairman, Committee on Ways and Means, U.S. House of Representatives, Longworth House Office Building, Washington, D.C.

DEAR SIR: We wish to go on record as being categorically opposed to the travel tax proposals for the following reasons:

This proposed legislature is discriminatory and unjust and possibility of being unconstitutional.

It is unenforceable, unworkable and full of loopholes.

It is against the American principle of free and unrestrictive movement.

It is a short sighted expedient which will not solve any problems but will very well create more serious future problems.

We strongly feel that the rights of American citizens are in serious jeopardy and such legislature is against every principle and precept of the American way of life.

Cordially,

PRESTON C. JOHNSON,
Vice President.

SOCHOR TRAVEL SERVICE, INC.,
Endicott, N.Y., February 15, 1968.

Re proposed "travel taxes."

Mr. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
U.S. House of Representatives,
Longworth House Office Building,
Washington, D.C.

DEAR MR. MILLS: The recently advanced ideas on procedures and rates of travel taxes show more clearly as time goes by, how impractical and unfair the entire idea is.

The enclosed Binghamton (N.Y.) Press editorial, "Invitation to Fraud", shows how unwise it would be to go through with this proposal. Yes, I agree that if so passed, it would mean a great increase of Federal payroll and thus eat up whatever they would collect.

Still another bad feature is that a great many travellers would simply start and finish their European trips in Canada or Bermuda, without exhibiting their passports to U.S. Authorities. There are many other reasons against. One of them, that the *ordinary traveller is the least guilty of our Dollar problems;* the trouble being in other spending—giving areas. Still another, where U.S. factories would sell less abroad if travel was really reduced and the flow of dollars to our foreign customers thereby cut. Yes, other countries would surely retaliate in one manner or another.

Judging by the confusion and fears by a large portion of our potential clients, if this hasty proposal is seriously considered, we will very likely have to cut some 3 to 5 persons in our own little office, from the present employment of 14 people. How much damage to America, both in cash and reputation, at home and abroad, this self-defeating tax monster will do, is impossible to say.

Since the administration of this proposed regulation would probably cost as much as it may take in and still do much damage elsewhere, we are asking you to do everything possible to withdraw this proposal outright.

However, to help our Treasury in its time of need, we would suggest a simple, efficient, fair and almost painless travel tax STAMP (size of a postage stamp) of $10.00, to be purchased by every adult person named on a U.S. Passport—at the airport or seaport, just before boarding. This inexpensive handling of tax collection, coupled with serious efforts by the government to reduce its own foreign spending, and measures suggested by others of how to increase the flow of incoming travellers, may be the answer.

But not the proposed plan. It should be cancelled—and soon—before it does more damage.

Respectfully,

JOHN M. SOCHOR.

[Editorial—Binghamton (N.Y.) Press, Feb. 12, 1968]

INVITATION TO FRAUD

The Johnson Administration's proposed travel taxes would apply to almost everyone; there are few exemptions; tax-free allowances are very small, and there is an effort to hit the big spenders hardest. That is the best that can be said about them.

The worst is that they are unwieldy, unfair and probably unworkable. They also pose the threat of throwing the whole tax structure into disrepute by offering an easy target for evasion.

What the administration is driving at is legitimate—reduction by a significant amount of the $2,000,000,000 drain generated by U.S. tourists abroad.

When the idea was broached at the beginning of the year it sounded reasonable enough. Surely, it seemed, there must be some effective way to do it.

But the more one thought about it, the harder the job began to look, and the administration's disclosure of its proposals last week confirmed that view.

The administration's plan can be broken into three parts—a transportation tax, a graduated tax on the amount of money spent abroad and a lowering of the duty-free amount of goods that can be bought abroad.

The transportation tax—5 per cent on steamship or airline tickets—is all right, although regressive, like any other excise. The lowering of the duty-free limit also is worth putting into effect. Since the customs exemption discriminates against those of us who stay home, it could be eliminated entirely in the interests of equity.

It is the graduated tax on money spent abroad that strikes the sourest note. The first $7 each day would be tax free. The next $8 would be taxed at a rate of 15 per cent. Everything over $15 would be taxed at 30 per cent.

Enforcement would depend on pretrip estimates, voluntary declarations and spot checks. The possibilities for evasion are virtually limitless.

The one good thing about most existing taxes is that they are not easily evaded. It's easier to pay a tax if one is convinced of its universality. The per diem travel tax would make cheats out of honest men the way Prohibition made boozers out of the abstemious.

Further, if ever adopted it surely would involve a welter of forms, a tangle of rules and an army of inspectors whose cost in time and money would be as high as their effectiveness would be low.

The daily-expense travel tax was a sincere try, but a bad one. The congress had better forget about it, looking instead for ways of aiding the sale of more U.S. goods overseas, attracting more visitors to this country from abroad and eliminating low-priority foreign expenditures.

THOS. COOK & SON, INC.,
New York N.Y., February 13, 1968.

Mr. JOHN M. MARTIN, Jr.,
Chief Counsel, Committee on Ways and Means,
Longworth House Office Building,
Washington, D.C.

THE TRAVEL-TAX PROPOSAL

DEAR MR. MARTIN: You will probably receive many letters regarding the above. Let me try to make this one brief and (hopefully) logical . . .

I am not an unbiased correspondent. As president of Cook's, it is obvious that I have a business interest opposed to restrictions on travel.

Yet as an American (three years overseas in the U.S. Army during World War II), I have a greater obligation to see that the U.S.A. follows policies which are most advantageous to our citizens overall.

My approach to the subject of travel restrictions has therefore been, as far as I could make it so, a balanced one.

Too many people speak of things "whereof they know not. . . ." May I qualify myself to comment on the subject at issue?

My travel career spans forty-five years (since graduation from Boston University in 1923), including many "crises" and many sorts of taxes. I am familiar with similar problems in other countries—with exchange controls, and tourist marks, and all the episodes of international tourism during this long period.

All will agree, first of all, that the balance-of-payments situation is unsatisfactory.

Let us further agree that foreign travel expenditures obviously contribute to that adverse balance. There is, however, little confidence in *how much* they contribute, since the figures are based on small samplings and sometimes on unreliable personal estimates. (See attached).

So—some action must be taken, and the Treasury Department has submitted its proposals. Here are our frank reactions:

1. The 5% "ticket tax" would be accepted by the public with little difficulty. It simply puts foreign transportation on the same basis as domestic, which seems fair. The tax should be on all transportation, with no conditions or exceptions.

But a proviso should be that a substantial proportion of the revenue from this tax, should go to the United States Travel Service—to increase quickly its promotion of foreign travel *to* U.S.A. This is important.

2. The reduction in duty exemption on purchases seems reasonable. But why reduce it from $100 to $10: Why not abolish all exemptions? And the decrease in "packages sent" from $10 to $1: Why? Allow no exemption at all, to simplify handling.

3. The main body of the proposal, though doubtless well-intentioned, is like something out of Alice-in-Wonderland. Consider—

It is cumbersome, requiring thousands of new employees at a time when the Government is trying to save money.

It is complicated: The explanations and figuring would be endless.

It encourages evasion: People scrupulously honest on their income tax, will vie with each other to "beat" this hodge-podge of conditions.

It is impracticable: Visualize Idlewild at a busy time with inspectors trying to enforce such regulations!

It is destructive: Though intended "to restrict expenditures rather than travel," its primary effect will be to make a European trip impossible for the *average* American.

As business people, we feel sure that the experienced members of your Committee will not approve this illogical and unworkable conglomeration of dollars, percentages, taxes, hours, etc., etc.

Out of all this discussion, one constructive result must certainly emerge: an *aggressive,* properly-financed campaign to get more foreigners to visit U.S.A.

We feel that the Committee members will eventually decide that *this* is the practical method of improving the travel balance-of-payments, and the only one consistent with the American way of doing things.

Cordially,

E. O'CONNOR, *President.*

OPINION—TRAVEL DEFICIT MAY BE FALSE

By Eric Friedheim, Editor, The Travel Agent

One of the most compelling reasons why Congress should reject any taxes on tourism is that nobody in Washington really knows the actual size of our travel deficit.

The Administration says Americans are spending $2 billion a year more on outbound travel than we receive from foreign visitors, including the Mexicans and Canadians.

But this $2 billion figure could very well be highly inflated. There are many researchers and economists who question the validity of the statistics from which the travel deficit is computed. Even those officials in the Department of Commerce who are responsible for compiling the travel figures admit they may be off as much as 10 percent which means that the deficit conceivably may be overstated by $200 million. This is nearly half the amount that President Johnson wants to save on overseas travel in 1968.

How does the Government arrive at its travel deficit?

This job belongs to a small unit known as the Balance of Payments Division in the Commerce Department, and which is considerably understaffed. Responsibility for putting together the information about travel rests with a corporal's guard of clerks headed by one official. He is turn is dependent on information extracted from 20,000 to 30,000 questionnaires distributed each year to U.S. travelers on their return trip. This form is handed out by the Immigration Service and a few are passed along abroad to returning citizens by the State Department. Current return is about 30 percent, which may be statistically acceptable but in actuality this means the Government bases its travel spending estimate on the replies of about 10,000 persons, many of whom are filling out forms from memory which can be faulty and in some cases have reasons for not providing accurate data on how much they spent on their trip.

The Government's methods of calculating travel spending were criticized sharply several years ago by a special Committee appointed by the Budget Bureau to review how the balance of payments statistics were gathered. This special

Committee was composed of a distinguished panel of economists and university professors. We quote from their report:

"The Committee believes that concern with the 'travel gap' reflects an unwise tendency to balance receipts and payments for types of transactions so narrowly defined as to lack significance. For purposes of estimation, travel is divided into three major categories: overseas, Canada and Mexico. The estimating procedures and their reliability differ among the categories, although there are deficiencies in all of them.

"Questionnaires are mailed to a random sample of residents returning in one week of each quarter. Two serious errors are inherent in this procedure. Although about 23,000 returns were reecived in the year under study, and though the response rate compares favorably with other surveys by mail questionnaires, the rate is too low to inspire confidence without a systematic sampling of the nature of the non-response.

"Another possible source of error is inherent in the processing of the completed questionnaires. Personal judgment as to what constitutes a reasonable level of expenditures may lead to error in the estimates, especially where the response rates are low or patterns of travel are changing; it needs to be exercised with care and supported by detailed knowledge of travel trends."

Wide variations in response were reported between air travelers and those returning from cruises and other sea passengers, as well as those coming into ports outside New York. Some foreigners also were shown to be vague in their answers on money. Until recently, the U.S. depended almost entirely on Canadian statistics for border traffic; now considerably less information is being made available to the Commerce Department by Ottawa. The Committee noted that the Canadian figures probably were of better quality than ours. Mexican border travel, which accounts for nearly $500 million of our foreign spending, also is estimated haphazardly. The Committee said little is known about crossings that involve travel or tourism and the method followed to estimate receipts and expenditures "has serious shortcomings."

The Committee completed its study in 1965 and recommended a complete overhaul in the Commerce Department's statistical research. Many major improvements were urged, including more staff and the acquisition of data processing equipment.

To date, none of these recommendations has been acted upon except for a minor effort to upgrade the Mexican border figures. Actually, the quality of overseas questionnaires has remained static and there has been no increase in staff.

All this boils down to the fact that the travel industry is being indicted by a bill of particulars that may be based on very false assumptions.

Errors and omissions of as much as 50 percent were mentioned by the committee in its appraisal of balance of payments reporting in earlier years.

Clearly, no industry should face restrictive taxes if there is a possibility that it is being accused unjustly. A fourth grade arithmetic student is aware that even a 10 percent error one way or another in dealing with billions can distort the results completely.

Industry is partially to blame for the dearth of acceptable travel data. But in the absence of valid information, Congress, in fairness to the American people and particularly to those dependent on tourism, should defer any restrictions until it has irrefutable facts on which to make a judgment.

REACTION OF PROSPECTIVE TRAVELERS THROUGHOUT THE COUNTRY

(By Thos. Cook & Son, Incorporated)

American citizens are likely to be more "public-spirited" than nationals in most foreign countries. But they are inclined to be outspoken, too. You may be interested in reactions of individual patrons at our forty offices throughout U.S.A.

Many people, of course, made no comment. Some voluntarily cancelled plans because of the President's appeal, only expressing disappointment. Others spoke emphatically of their disagreement with the principle of restricting travel, whether by onerous taxation or otherwise.

Here—as near verbatim as possible—are the most frequent comments:—

"This is *my* money. I worked for it. After I pay my taxes, why should the Government tell me how to spend my own money?"

"A citizen in a democracy has a right to go anywhere he pleases. Are we getting new rules like those in Russia?"

"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

the Western Hemisphere are in the same situation. In this list are Israel, Greece, The United Kingdom, and Spain, to name four important examples.

A particularly objectionable feature of the proposed tax is the obstacle placed in the way of business, professional and educational travel. It will increase the cost of doing business abroad; it will tend to limit American attendance at international meetings of professional and scientific organizations. (Such meetings are almost invariable held outside of the United States to avoid the exclusion of leading members who happen to be Communists.)

By discriminating in favour of the Western Hemisphere, the proposed tax is in direct violation of the spirit if not the letter of the "most favoured nation" clause which for many years has been a cornerstone of American foreign trade policy. All of our foreign trade treaties, as well as the various international trade agreements of GATT state that apart from certain stipulated exceptions, treatment of the United States shall be no less favourable than the treatment of any other nation. Are we prepared to put the "most favoured nation" policy in jeopardy?

Finally there is a reasonable doubt about achieving a dollar saving, its ostensible purpose. The net result may even be a dollar loss. Consider the following:

1. Any shift in travel from Europe to Western Hemisphere destinations will leave the overall balance of payments quite unaffected. (Surely the Administration is not thinking in terms of bilateral balancing, against which we have fought so long and so successfully through the Marshall Plan and the International Monetary Fund.)

2. To maximize their opportunities for understating actual travel expenditures, travellers will bypass their travel agents (to whom services must generally be prepaid) and make all arrangements direct. This increases the foreign exchange cost of the travel by up to 10% the amount of the commission customarily paid to the travel agent by hotels, sightseeing companies and other overseas facilities.

3. Any apparent reduction in travel expenditures may be more than offset by reductions in dollars earnings for related items not shown under tourism in the balance of payments statistics. These include reduction in the expenditure of foreign air and other transport companies for such items as dollar maintenance cost, purchase of parts, sales and overhead expenditures, commissions to American travel agents, and purchases of fuel.

4. Finally, any reduction in the statistics for travel expenditures which will be offered as proof that the tax has achieved its purpose will be fictious to an indeterminate extent. Rather, it may measure the fraudulent concealment of such expenditures which, therefore, would appear elsewhere in the balance of payments.

The third proposal, the reduction in duty free exemptions to $10.00 and for mailed gifts to $1.00 is of itself not objectionable. But, because of the tremendous administrative burden imposed, the Treasury would apply a flat 25% duty of all items. This conflicts with tariff rates under all of our international tariff agreements. If to this is added the travel expenditure tax of 30%, the cost of bringing home purchases becomes prohibitive, which no doubt is the purpose. Since the amount of purchases by American tourists in foreign countries must total between $500,000,000 and $1,000,000,000, a not inconsiderable sum, a dollar savings could be large. But by the same token, various foreign countries will be severely hurt. The Congress will want to consider carefully the likelihood of retaliation by foreign countries who will regard such actions as a breach of their trade agreements with us.

Instead of the Administration proposal, I suggest (1), a lower flat duty than 25% where purchases total less than $100.00 (not $500.00 as proposed), (2), where purchases total in excess of $100.00, the actual duties be assessed as in the present practice, and (3), no tourist expenditure tax be applied. Although this will cause a much smaller reduction in dollar expenditures, it will not invite retaliation.

Very sincerely,

GEORGE M. ALSBERG, CTC, *President.*

THE TRAVEL CENTERS,
Quincy, Ill., February 15, 1968.

HON. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
House of Representatives, Washington, D.C.

DEAR CONGRESSMAN MILLS: I wish to respectfully submit this statement for the official records of the hearing to be held by your committee regarding the imposition of a travel tax upon the American public.

As the owner of a multiple-branch retail travel agency employing ten persons besides myself, I protest any inference that travel outside the Western Hemisphere is somehow unpatriotic. From my reading of such highly esteemed papers as the Wall Street Journal, The New York Times, The Washington Post, The Chicago Daily News, Fortune Magazine, Saturday Review, Business Week, U.S. News and World Report, I can find no responsible opinion to the effect that inhibiting the freedom of the American people to travel will solve our balance-of-payments problem. Quite the contrary; I am sure you are aware of the repercussions that will result if this great United States should demean itself and its citizens by an attempt to curtain the freedom of its people to travel.

Please know that I do not speak from a purely selfish economic motive as we sell travel to commercial accounts, to U.S. and other Western Hemisphere destinations; furthermore, there are many people who will travel in spite of the tax, and we will survive—although certainly not without financial hardship to all employees.

My protest is as a thinking citizen who feels the few freedoms we have left need to be preserved at all costs (else why are we fighting in Vietnam for others' freedom?), and who feels that the travel industry is sorely needed in this war-torn world. If ever we are to stop killing and learn to live together on this planet, one of the main forces to this end is the traveling and intermingling of the peoples of the world in friendship, rather than for the purpose of bearing arms against each other.

Please think very strongly about the many alternative measures possible to stop the outflow of dollars, i.e., the reduction of government spending abroad, the return of troops from Europe, the encouragement of travelers to our shores through the United States Travel Service. The peace and understanding which is so desperately needed in the world is served through the tourist industry and for this value alone we believe, rather than being discouraged, it should be encouraged in all its facets.

Respectfully yours,

(Mrs.) Betty Lou Wallace, *President.*

Travel Near & Far, Inc.,
New York, N.Y., February 23, 1968.

Hon. Wilbur D. Mills,
Chairman, Committee on Ways and Means,
Washington, D.C.

Dear Sir: I wish to register my opposition to the proposed travel taxes, both in principle and in practice. A more negative, discriminatory and ill-conceived proposal would be difficult to imagine.

The right of the individual to travel abroad has never before been questioned by an American government. This tax is deliberately designed to prevent the exercise of what has heretofore been acknowledged as a basic liberty of the citizen, the right to leave and return to the country. Previous attempts to discourage or prohibit actions of the individual which are not intrinsically immoral or anti-social have always led to upright and honest citizens evading the law.

Americans have always been great travellers and are known around the world for this. Generations of citizens have gone to Europe to acquaint themselves with the cultural benefits of that area and to become more well-rounded and better American citizens, better able to understand foreign nations and their ways. That this greatest method of creating better understanding between peoples should be in danger in this country is wrong. We have always criticized Communist and other totalitarian countries for their restrictions on the free exit of their citizens, yet now our own government wishes to discourage Americans in the same pursuit. The reason for doing this is not important when the result is the same.

The United States has a favorable balance of trade, although there are fluctuations in this balance from year to year. The figures derived from tourism and travel ought not to be segregated from the whole any more than any other product or service. To tax tourism and travel is discriminatory to the industry and to the people who avail themselves of its services. The balance is adverse to us in other areas of trade such as whiskey, coffee, etc.

The proposed tax is doubly bad in that it fails to discriminate between those countries which cooperate with the United States in our balance of payments problems and those which do not. For instance, no difference is made if a person travels to Martinique or to Jamaica. Yet the former is a department of metro-

politan France and we are enjoined not to go to Europe. As far as money payments are concerned, Martinique is France. On the other hand, travel to such cooperative countries as Great Britain and Scandinavia is lumped in with the gold buyers of France and Belgium.

The administration has made many statements to the effect that it is interested in attracting more European visitors to this country. In past years many other countries have had the same desire, to attract more visitors to their shores. They have invested in tourist offices over here to publicize and promote themselves. This has paid off as we know because Americans have been visiting their countries in great numbers. Yet we have not even made a serious effort. Spain, Canada, England, Argentina and even India spend more per year than the United States to attract tourists. Per capita, the United States spends .02¢ per year compared with .50¢ for Canada or even .13¢ for Great Britain. Per visitor we spent .39¢ whereas Great Britain spent 2.61¢. It is ironic that we who spend so much domestically on advertising and promotion, so much that we become immune to the constant pitch, find promoting ourselves overseas to be not worth the trouble. Yet on the other hand it is felt that the way to solve the problem is to restrict the liberty of the citizen in an unprecedented manner. There is something wrong with this way of thinking, something out of touch with the meaning of America.

The very proposals themselves are products of an ivory-tower-mentality, dreamed up without regard to the practicality of the situation or to the mechanics of the industry. The mere complexity of the tax and its administration will be an invitation to evasion. Since the purpose of the tax is prohibition rather than revenue-collection, it would not succeed in its aim. Rather it will create a new black-market, a whole new category of gray areas for individual conduct. It is a misuse of the taxing power, which ought to be used for revenue producing and not for enforcing policies or other laws, good or bad.

It is impractical to tax transportation after arrival in Europe at a different rate from other transportation. Airline tariffs are drawn up in such a manner that to divide the fare at some arbitrary point would be discriminatory and unjust. That a person stops in London first rather than Rome should not be a reason for taxing him more or less. The taxing proposal regarding cruises which go outside the Western Hemisphere is the work of one who prefers complexity at the expense of reason. And the idea of paying an estimated tax before departure can only be compared to posting bond to get out of the country. The imagination boggles at the added time needed at airports, at the vast increase in personnel in the Internal Revenue Department, at the proliferation of forms, at the many amendments that will be needed to cover loopholes and add complications, and at the costs, both monetary and spiritual, of administering the whole program.

The administration says this tax will only be temporary. How often have we heard that before? Even with the best of intentions, our government seems to find it necessary to perpetuate "temporary" taxes and other legislation year after year. I am sure the legislators are well aware of the many "temporary" items which remain in effect. I am reminded of the "temporary" Navy buildings in Washington built during World War I which are very much in use today!

The proposal of a tax on international travel is a most dangerous and pernicious precedent which if allowed to become law will plague us for years to come and make a mockery of our pretensions of individual liberty to travel.

Very truly yours,

PAUL H. SILVERSTONE,
Secretary-Treasurer.

TRAVELERS TRAVEL BUREAU,
New York, N.Y., February 12, 1968.

Mr. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
House of Representatives, Washington, D.C.

DEAR MR. MILLS: We wish to place our objection on record of Mr. Henry Fowler's Travel Tax Proposals as discriminatory and unjust. We feel that a tax on plane—steamship—or railroad transportation could be levied and controlled, whereas a percentage on money spent on other travel services would discourage tours that would put thousands of transportation personnel as well as small travel agents like ourselves out of business and in the unemployment line of dependence, receiving checks on which no tax is paid to the Federal Government, rather than earning a living on which 20% and more is turned over in Federal tax alone.

May we suggest that you withdraw the needless $10.00 taxless gifts passengers are allowed to send for every day they are out of the Country—and reduce the current $100.00 duty free purchases allowed to $10.00 or zero dollars.

Sincerely,

CLAIRE PUGLISI, *Partner.*

UNITED STATES TRAVEL BUREAU,
North Hollywood, Calif., February 16, 1968.

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

DEAR SIR: We wish to go on record that we are vigorously opposed to any and all aspects of Treasury Secretary Fowler's travel tax proposals, for the following reasons:

1. The proposed travel tax legislation is discriminatory and unjust, and probably unconstitutional.

2. This legislation is unenforceable and unworkable. The proposed graduated tax on travel expenditures will make liars and cheats out of many citizens.

3. This legislation violates the traditional American principle of free and unrestricted movement.

4. The balance of payments deficit has risen from a number of causes. Important among these are the Vietnam war (responsible by itself for 38% of the deficit, according to the Administration), maintenance of U.S. military bases overseas, U.S. aid to foreign governments, and foreign investments by U.S. businesses. The so-called "travel deficit", if it indeed exists at all, is a drop in the bucket in the total balance of payments problem. Yet this legislation proposes to punish American travelers out of all proportion to their overall deficit responsibility.

5. This legislation adversely affects the livelihood of many American citizens who work in the travel industry.

6. This legislation is a confession of failure on the part of the Administration to cope with the balance of payments problem in other, more constructive ways.

We offer just one constructive alternative, which seems to us eminently workable and practical. The Administration proclaims that large amounts of foreign currencies are being held by U.S. Government offices abroad, and that these currencies cannot be converted directly into U.S. dollars.

1. We therefore propose that the Treasury Dept. or other responsible agency furnish all U.S. firms doing business overseas (among whom would be tour operators, travel agents, banks, importers, etc.) with lists of U.S. embassies, consulates, trade delegations, etc., who have at their disposal U.S. Government-held local currencies in the countries where they are located.

2. We propose that a standard remittance form be prepared, for payments to foreign countries.

3. The firm doing overseas business would be required, when making foreign payments, to send U.S. Dollar checks to the respective embassies, consulates or trade delegations, or to the State Dept. or designated Federal bank, who would then make the payments, in the corresponding local currencies. A copy of the remittance form would be sent to each foreign payee, indicating that his payment would be promptly forthcoming, in his local currency.

4. Admittedly, this would create more paper work for the U.S. offices abroad. But it would certainly solve the problem of the Government-held foreign currencies, and it would do more to solve the balance of payments problem in a constructive way than would Secretary Fowler's restrictive tax proposals.

Awaiting your early reply and comments, we are,

Sincerely yours,

MICHAEL R. SELIGMAN, *Director.*
RICHARD L. WATSON, *Tour Manager.*

VAGABOND CRUISES AND TRAVEL SERVICE, INC.,
Seattle, Wash., February 26, 1968.

COMMITTEE ON WAYS AND MEANS,
Longworth House Office Building.
Washington, D.C.

(Attention of John M. Martin, Jr., Chief Counsel).

GENTLEMEN: The enclosed article published in the Bremerton Sun, Bremerton, Washington expresses more fully and adequately than I could state my own views of the recent proposals concerning limitations on travel.

Having been employed during the past 14 years in a small, 4-person travel agency, I have some experience and knowledge of how such pronouncements affect the travel agency's business and customers. Already this current proposal has created uncertainty and doubt in the minds of our customers, so that they will not definitely make a commitment until some more definite measures are known.

Meantime, we are trying to keep our business operating, pay our employees, and reassure our customers that we hope to be able to continue to make travel arrangements for them.

Most sincerely yours,

BARBARA BIRD, *Secretary/Treasurer.*

[From the Bremerton Sun, Saturday, February 24, 1968]

PROPOSED CURBS ON TRAVEL ARE JUST PLAIN RIDICULOUS

(By Jenkin Lloyd Jones)

In all the sweepstakes for foot-in-the-bucket legislation President Johnson's proposed taxes on travel outside the Western Hemisphere should win at least a red ribbon.

It is, in the first place, an effort to blame on tourists what is chiefly the fault of the economic philosophy of the Great Society. The gold-drain stems, essentially, from fear by foreigners of the future of the dollar if our huge annual deficits continue.

Secondly, the Administration has apparently given up attempting to persuade major labor unions to keep their demands for wage increases in line with increased productivity per worker. Frankly inflationary wage settlements have been hailed with apparent satisfaction from the White House.

This raises the cost of goods we've been exporting. The loss of customers abroad diminishes our earnings of foreign currencies. And when we buy commodities from abroad because they are cheaper, we lose dollars. Brave talk about further reductions of tariffs in accordance with the Kennedy round will be utter moonshine if we don't begin to get our own economic house in order, for both labor and industry will soon be demanding high protective tariffs.

The idea of putting onerous taxes on Americans abroad except for those traveling in the Western Hemisphere is as political as it is illogical. The President, apparently did not want to anger our close neighbors, the Canadians and Mexicans, or risk the ire of our touchy friends in Latin America.

But contrast Brazil, a treasure house of natural resources, in which we have sunk nearly $3 billion in foreign aid, with little Finland which owes us only $30 million and has been religiously paying installments on its World War I debt. Which deserves the American visitor more?

As far as need to earn tourist dollars is concerned, compare hungry India with oil-rich Venezuela.

The proposal that Americans traveling in transatlantic or transpacific countries can spend seven whole dollars a day tax-free is ludicrous. The overseas expense accounts of our government officials should be pasted up on all the walls facing Pennsylvania Avenue.

The only way to see around Europe on $7 a day is to hitchhike, feign blindness and carry a tin cup. Even then you'd better stay out of Scotland.

The travel restrictions now proposed would encourage more dishonesty than any law since Prohibition. Think of the dodges:

There'd be the big Canadian goose-hunt dodge. You could carry thousands of dollars into Canada without question. Then you'd simply take a plane for Europe. If the host countries co-operated by not stamping your passport, there'd be no

evidence of your journey unless the U.S. Bureau of Internal Revenue could get hold of the passenger manifests. Imagine the Canadians agreeing to that!

This escape hatch would also require you to take a foreign airline which would intensify the balance of payments problem.

There's the friend-in-France dodge. You could travel openly to Europe and be the "guest" of your friend in France. He might not be able to accompany you on your foreign travels, but he could supply you with thousands of francs for the trip. Later you could entertain him on his visit to the States or just send him a love offering.

You don't even need a friend. There are no tariffs on genuine antiques. So you could order from Amsterdam an old chest worth $100, but you pay $1,000 for it. The dealer could be so overcome by your charm that when you got to Holland he'd give you $900 worth of guilders for your further travels. Our customs men, looking at the invoice and the chest, could only conclude that you'd been cheated.

Such a law as has been proposed is leakier than cheesecloth. If we mean business, the State Department should issue passports only for valid business reasons and close all borders to junketing Americans. How can you frisk every man, woman and child at the Niagara bridge, and how would you handle the problem of deposits made in advance in foreign banks?

This would, of course, bring some repercussions. How, for example, would we expect to sell more Boeing and Douglas airplanes to foreign airlines that our government would be busy busting? If we make most of the world mad at us, who thinks we can increase foreign tourism to America?

We're in a jam because of a lot of foolish things we've been doing for a long time. But if we want to choke off the outflow of tourist dollars, let's not do it in idiotic and unworkable ways that will turn thousands of our normally honest citizens into connivers and corner-cutters.

WEITZ TRAVEL INC.,
Cleveland, Ohio, February 14, 1968.

Re: Proposed enactment of foreign travel tax proposals.

Mr. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
House of Representatives, Washington, D.C.

DEAR SIR: In view of the forthcoming hearings on the above subject, I'd like to take this opportunity to appraise you of our strong objections to the proposals, as presented by the Secretary of the Treasury on February 5, 1968. In our considered opinion, these proposals, if enacted into law, will have the following dire consequences:

1. The creation of an incredibly complex and costly bureaucracy, engaged solely in the counting of dollars and cents in form of cash, travellers checks, personal checks, credit card expenditures, etc., of every citizen leaving or entering the country. The image of this bureaucracy does not fit the country which is looked upon as the greatest and freest democracy in the world.

2. The creation of a privileged class to which an approximate 25% to 30% overall increase in cost means little or nothing, as opposed to the middle and lower income earners.

3. The travel deterent will, due to the incredible complexities of its planned enforcement, become an actual travel ban for a substantial number of all travellers.

4. The dollar reserves of our Allies in Europe and Asia, most of which buy more from us than we buy from them, will be rapidly depleted, forcing them to look for suppliers outside the United States dollar area, in turn, worsening our overall trade balance.

5. Foreign countries will, in order to conserve their dwindling dollars supply, retaliate either by curtailing or by outright prohibition, the travel of their nationals to the United States.

6. The cancellation of an unknown quantity of future airplane orders, or postponement, by European and other foreign airlines, resulting in unemployment in the aircraft, electronic and components industry.

Finally, if the proposals in their present form become law, we believe that not only will incredible damage be done to our own flag carriers, general travel industry, our investments in hotels and other facilities abroad, but also to United States' prestige, commerce and credibility.

We urge that in your deliberations, you carefully weigh the evidence submitted by the aircraft, airline, travel industry and other interested parties which, collectively, seeks to indicate that with the cooperation of all concerned, alternative and far more desirable measures could be adopted to overcome the problem of the so-called travel gap.

Our services are at your disposal and we thank you for the opportunity to submit our opinion on this important subject.

Very truly yours,

KARL L. LEWIN, *President.*

New York, N.Y., February 12, 1968.

JOHN M. MARTIN, Jr., Esq.,
Chief Counsel, Committee on Ways and Means,
Washington, D.C.

DEAR SIR: It is our understanding that hearings are about to be conducted by the House Ways and Means Committee in connection with the Direct Foreign Investment Program and the Regulations which have been issued thereunder. As you know, the Regulations contain a provision which requires that a specified share of total annual earnings from affiliated foreign ventures must be repatriated at least once each year. Published reports have stated that legislation is being sought which will provide Federal income tax incentives for such repatriation. The purpose of this letter is to set forth a suggested Federal income tax incentive in a particular area.

The suggestion herein is that the shareholders of a Subchapter S corporation be granted a foreign tax credit with respect to dividends received by the Subchapter S corporation from foreign subsidiaries.

Domestic corporations are allowed a foreign tax credit against their U.S. income tax for the following:

1. Income taxes of foreign countries imposed on the domestic corporation itself (Sec. 901(a), Int. Rev. Code).

2. Income taxes of foreign countries imposed on a foreign corporation subsidiary of the domestic parent, in tax years in which the subsidiary distributes a dividend to the parent. This credit also extends to foreign income taxes paid by a sub-subsidiary. Thus, in tax years, where there are dividends through the chain from the foreign sub-subsidiary to foreign subsidiary to domestic parent, the latter is deemed to have paid an appropriate portion of foreign income taxes actually incurred by the foreign subsidiary and sub-subsidiary (Sec. 902(a) & (b), Int. Rev. Code).

In a great many cases, the foregoing credits will completely eliminate any U.S. income tax on foreign corporation dividend income.

However, the benefit of the foregoing credits is denied to the shareholders of a Subcapter S corporation, i.e., one which elects not to be subject to Federal income tax pursuant to rules stated in Code sections 1371–8. Income taxes of foreign countries imposed on the Subchapter S corporation itself will result in tax benefit to the shareholders of the Subchapter S corporation only as a deduction. The "deemed paid" foreign tax credit granted to a taxpayer corporation under Sec. 902(a) & (b) is completely lost under a Subchapter S election. Thus, under present law, such foreign corporation dividend income will be fully taxed to the shareholders of the Subchapter S corporation without benefit of any foreign tax credit whatever. This loss of foreign tax credits creates a dis-incentive to repatriation of earnings from foreign first and second tier subsidiaries where the domestic parent is a Subchapter S corporation.

We respectfully request that legislation along the following rough outlines be considered:

(a) The shareholders of the Subchapter S corporation would be deemed to have paid the foreign income taxes paid and deemed paid by the Subchapter S corporation, computed as if the corporation were a taxpayer corporation. The foreign tax credit "pass-through" might be allocated pro-rata to shareholders at the end of the tax year of the Subchapter S corporation.

(b) In computing the taxable income of the Subchapter S corporation, dividend income from foreign corporations would be "grossed up" by the amount of the "deemed paid" foreign tax credit as if the Subchapter S corporation were a taxpayer corporation.

(c) For purposes of computing the limitation on the foreign tax credit under Section 904, there would be an appropriate "pass-through" of the Sub-

chapter S corporation's income from foreign sources, i.e., in computing their own limitations on foreign tax credit, the Subchapter S corporation shareholders would include as income from foreign sources an appropriate portion of the Subchapter S corporation's income from foreign sources.

Code Section 962 provides a precedent whereby individual taxpayers are granted foreign tax credits under Section 902, otherwise applicable only to corporate taxpayers. Please note that under this provision the foreign tax credit is allowed under an election whereby the individual taxpayer is bound to pay tax on the foreign corporation dividend income at corporation tax rates. Such an approach might also be considered in connection with the proposed legislation outlined herein.

Legislation such as the foregoing would create an incentive to repatriate dividends from foreign subsidiaries where the domestic parent is a Subchapter S corporation.

Would you please give this matter your consideration. Thank you.

Yours very truly,

J. R. COLEMAN.

SAN FRANCISCO, CALIF., *February 27, 1968.*

Hon. JOHN M. MARTIN, Jr.,
Chief Counsel, Committee on Ways and Means, House of Representatives, Washington, D.C.

DEAR MR. MARTIN: This statment is submitted in accordance with the announcement of the Chairman of the Committee that has been published in Paragraph 6185 of the Commerce Clearing House Report, No. 11, Page 71142. It is limited to the serious constitutional question presented in Sub-paragraph (1) (b) of one of the two major proposals of the Chairman's announcement of the testimony the Committee would receive.

The United States Supreme Court, in *Kent vs. Dulles*, 357 U.S. 116, 78 S. Ct. 1113, 2 L.Ed.2nd. 1204, a case involving the question whether the Secretary of State had exceeded his discretion in denying a passport to an applicant on the ground of his alleged communist connections, said:—

"The right to travel is a part of the 'liberty' of which the citizens cannot be deprived without due process of law under the Fifth Amendment. So much is conceded by the Solicitor General * * *

"Freedom to travel is, indeed, an important aspect of the 'citizen's liberty'."

The Court also said that travel was an "activity included in Constitutional protection". The opinion further said that "the right of exit is a personal right included within the word 'liberty' as used in the Fifth Amendment." The Court concluded by saying that "we deal here with a *Constitutional right of the citizen*" (emphasis supplied).

This is a clear pronouncement that every citizen has the absolute right under the Constitution to travel. The question involved in the present proposal is not whether a non-discriminatory tax can be imposed in connection with travel under some circumstances as an excise tax; the tax here proposed is admittedly, and indeed is expressly asserted to be, *for the avowed purpose of preventing large numbers of middle-class and moderate income Americans from exercising what the Supreme Court has declared to be a constitutional right.*

An earlier Supreme Court case, dealing with a tax on another right guaranteed by the Constitution, the tax being for the deliberate purpose of limiting or of burdening the exercises of that right, is *Grosjean vs. American Press Co.*, 297 U.S. 233, 56 S.Ct. 444, 80 L.Ed. 660. This case involved the Constitutional right guaranteed by the First Amendment of freedom of the press. The tax was at the rate of two percent (2%) on the advertising revenue of newspapers, and, like the tax here proposed, was directly aimed at the exercise of that right. The unanimous Court, which included Justices Brandeis and Cardozo, both well known "liberal" members of the Court, said, inter alia:—

"If (the tax) were increased to a high degree, as it could be if valid (citing eases), it might well result in destroying both adverising and circulation."

The court also said:—

"The tax here involved is bad, not because it takes money from the pockets of the appellees. If that were all, a wholly different question would be presented. It is bad because in the *light of its history, and of its present setting, it is seen to be a deliberate and calculated device in the guise of a tax to limit the circula-*

tion of information to which the public is entitled in virture of the constitutional guarantees" (emphasis supplied).

The tax proposed by Mr. Fowler, like the tax in the *Grosjean* case, is "seen to be a deliberate and calculated device in the guise of a tax" to limit the public in the exercise of a constitutional right.

These two decisions are controlling here. The issue is simple. May Congress impose a tax for the express and announced purpose of preventing large numbers of citizens from exercising a constitutional right to travel, which in practice will not prevent a small class of the rich from the exercise of the right thus denied most other citizens?

The answer to this question seems obvious. I submit that the Committee should reject this plainly unconstitutional proposal.

Respectfully submitted.

NELSON TROTTMAN, *Lawyer.*

New York, N.Y., February 23, 1968.

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

DEAR CONGRESSMAN MILLS: I submit the following statement for the consideration of the Committee on Ways and Means in connection with the hearings on the proposed travel tax. It is requested that this statement be made a part of the printed record of the Committee hearings.

I should like to comment upon one aspect of the travel tax program as set forth in the Technical Explanation prepared by the Department of the Treasury and submitted to the Committee on February 5, 1968. I believe the recommended exception for lengthy business trips is inadequate in its scope, will work obvious inequities and in some cases may well bring about a result adverse to the United States balance of payments concern.

Proposed exception for lengthy business trips

While the general concept of taxing, subject only to minor exceptions, bona fide business travel hardly warrants uncritical acceptance—the American executive travelling six weeks in Europe to promote sales of his company's products does not readily appear a necessary object of an exaction motivated by a balance of payments concern—the subject of this commentary is of narrower compass. Assuming the Committee determines that the purpose of the proposed tax or a consideration of enforcement requires that business trips be included generally and excepted selectively, it is submitted that as presently proposed the travel tax establishes categories of exception that discriminate and penalize in a manner neither necessary nor desirable to carry out the objects that the tax is intended to accomplish.

On page 5 of its Technical Explanation the Department of the Treasury describes the proposed lengthy business trip exception as follows:

"An individual (and his dependents) shall be considered on a nontaxable trip if he is outside the Western Hemisphere for at least 120 *consecutive* days while engaged on a full-time basis in a trade or business or profession. This category of exceptions will cover the case of an employee who is transferred abroad by his employer for more than 120 days, an individual who goes abroad to teach on a full-time basis in a foreign school, and a professor on a sabbatical abroad who is doing research on a full-time basis in connection with his trade or business.

"If the student, teacher, employee, or businessman, does not spend a total of more than 14 days outside the Western Hemisphere before and after the period he is carrying on exempt activities, his entire trip would be exempt. If he stays longer than 14 days, thus converting his trip to a partial vacation trip, he (and his dependents) would be considered on a taxable trip, but would be permitted to exclude all expenses incurred during the period he is engaged in the exempt activities.

"If the student, teacher, employee, or businessman does not stay abroad for the prerequisite 120 *consecutive* days, his trip would be taxable unless he could not have reasonably foreseen the circumstances which caused him to cut his trip short." [Emphasis supplied]

Discussion

Defining lengthy business travel in terms of 120 days seems neither clearly unreasonable nor, on the other hand, clearly appropriate and inevitable. The exception proposal properly recognizes that a general concern over the flow of gold must be balanced against the concern of the individual and of his employer that each be permitted to engage in legitimate business activity free from unreasonable harassment and confiscatory taxation. While we suggest that a period of 90 days would more fairly balance these interests, particularly as a businessman will likely be forced to expend very substantially more than $7.00 each day he is working in Europe, the essential difficulty we find in the exemption formula lies elsewhere.

We believe that designing the lengthy business travel exemption solely in terms of 120 *consecutive* days is unreasonable and unnecessary and likely to prove contrary to the purpose of the statute.

There appears to be no sensible basis for discriminating against the American engineer or executive who, detailed to work abroad eight months each year, is obliged to return to the United States for meetings and consultations every third month. It makes little business or governmental sense to encourage a change in the business pattern that would, for example, find the engineer or executive remaining abroad four consecutive months returning home the fifth or, as another example, cause him to remain abroad for lengthy periods and his colleagues to meet and confer with him abroad.

The consecutive day requirement would fall most inequitably upon the American executive whose company's operations center in Europe but who chooses to maintain his family home in the United States. While the executive may spend twice 120 days abroad each year, he will rarely if ever be outside the United States 120 consecutive days. As expenditures while abroad are made by the executive, whether or not reimbursed by his foreign employer, the tax burden should he maintain the past pattern likely would prove so great as to force the executive either to remain abroad and working longer than he otherwise would or to remove his family and residence from the United States. In either case the consecutive day provision will have generated a result contrary to the statutory purpose.

Recommendation

For the above reasons it is suggested that the exception for lengthy business travel be revised in either of two ways.

First, it is suggested that the exception be based upon cumulative days. Thus, for example, an individual would be considered on a nontaxable trip if during any period of twelve consecutive months he is outside the Western Hemisphere at least 120 days while engaged on a full-time basis in a trade or business or profession.

Second, if the Committee should find a cumulative days test inadequately protective of the American balance of payments position, an alternative test might be employed. Thus, an individual would be considered on a nontaxable trip if (1) during any period of twelve consecutive months he is outside the Western Hemisphere at least 150 (or 180) days, or (2) he is outside the Western Hemisphere for at least 90 (or 120) consecutive days, in either case while engaged on a full-time basis in a trade or business or profession.

There is precedent in the Internal Revenue Code for a cumulative days exemption formulation and for the use of such a formulation, effectively, as an alternative ground for the securing of exemption. Subject to limitations, section 911 of the Code exempts from taxation foreign earned income of two classes of United States citizens: In the first class is the citizen who has been a bona fide resident of a foreign country or countries for an uninterrupted period which includes an entire taxable year; in the second is the citizen who during any period of eighteen consecutive months is present in a foreign country or countries during at least 510 full days. The latter category defines exemption in terms of cumulative days. The former category, to which it is alternative, is framed in terms of consecutive days of nonresident status.

Respectfully submitted,

MARTIN D. GINSBURG.

New York, N.Y., February 26, 1968.

Hon. WILBUR D. MILLS,
Committee on Ways and Means,
Longworth House Office Building,
Washington, D.C.

DEAR SIR: In connection with the hearings that your Committee is holding with respect to the proposed travel tax program, I should like to submit the following for your consideration.

The Treasury's proposal excludes from the application of the tax business trips of a duration of at least 120 days. By this exclusion it would appear that the Treasury has recognized the desirability of fostering American business interests abroad, but it is difficult to conceive of why a minimum time limit should be embodied in the proposal.

It is suggested that all business travel should be excluded from the application of the tax. Business trips are taken abroad for the obvious purpose of fostering United States business interests which, when successful, result in the aggrandizement of U.S. income. The imposition of a tax upon such activities would in effect be a penalty upon the attempt to increase U.S. business abroad with the resultant flow of dollars to the United States.

The imposition of the tax upon business travel will probably have very little effect on the activities of the larger U.S. corporations. The tax will merely be added to their cost of doing business which they can readily absorb. On the other hand, we must bear in mind that the 800 largest U.S. corporations are responsible for only 24% of employment in the United States. The rest falls largely upon the small and medium enterprises here. Business trips abroad for the small and medium business enterprises are not lightly taken, particularly since they involve for such companies a substantial risk as to whether or not the expenditures which are in most cases anyway considerable will produce the desired results. The Treasury's proposed travel tax will increase the cost of such trips substantially with the resultant increase in risk.

The small and medium export business will under the Treasury's proposal give far more thought to the advisability of sending representatives abroad to promote their export trade; many will refrain at the expense of potentially valuable export trade. This trade is not self-generating but must be sold. With a curtailment of selling efforts abroad, the export trade of necessity will decrease rather than increase. With the decrease of the export trade the inflow of dollars will decrease.

Many potential export trade getters will also be deterred by the proposed requirement to estimate any tax expenditures abroad in advance at the risk of punishment if the ultimate expenditures differ more than marginally from the estimate. There are numerous items in a business man's travel expenses which it is impossible to assess in advance with any degree of accuracy, such as telex, cable, telephone, entertainment and transportation costs.

With respect to the tax on transportation fares, the 5% excise tax recommended by the Treasury Department is one which the Congress should and will consider. It is difficult to understand, however, the functional or philosophical basis upon which this tax can leap from 5% to 30% merely because a stopover in transit exceeds twelve hours. In some cases because of transportation facilities a stopover in excess of twelve hours may be required for through-passage to the traveler's destination. In other cases a stopover in excess of the twelve-hour period may be indicated by the business requirements of an overall trip. It would appear appropriate that so far as a transportation tax is concerned the rate of tax should be uniform, whatever that rate may be.

Respectfully yours,

MILTON L. ROSENBERG.

Chattanooga, Tenn., February 17, 1967.

COMMITTEE ON WAYS AND MEANS,
House of Representatives,
Washington, D.C.

GENTLEMEN: I am informed that your Committee, in conducting the hearings on the proposed Travel Tax portion of the Administration's Balance of Payments proposals, will accept written statements submitted before March 1.

Although this letter is on firm stationery, it is *my individual expression* and is not written on behalf of the others in this office. Also, I wish to make it clear

that neither I nor my firm represent any travel agency, and that this is not written on behalf of or at the instance of any client.

I am deeply concerned as to the international gold situation and our Balance of Payments status. I seriously question whether the proposed attempted restrictions on foreign travel will either produce any actual net increase in tax receipts for our Government or benefit the United States in the matter of the Balance of Payments.

At the outset, I think it should be made clear to the people of our County as to what is the purpose of this proposed legislation: Is it to produce tax income; to "fight back at DeGaulle (France)"; or to create a benefit for the United States in the matter of Balance of Payments?

After we determine what is the true purpose, then we can weigh the benefits against the detriments.

Assuming that the purpose is to raise revenue in the way of taxes, it seems to me that it might result in a loss of taxes rather than a gain. If it is effective in reducing foreign travel, it will adversely affect many, many American citizens presently engaged in work for travel agencies, carriers, hotels, and entertainment spots. A person planning to make a foreign trip must travel from his home town (if it is inland) to the port or air terminal of embarkation. This involves an expenditure of travel fares, hotel accommodations, meals, and usually some theatre or entertainment along the way. If these items are cut, the people engaged in these businesses suffer and their incomes would be correspondingly reduced. It seems probable that the losses on their income tax returns may well offset the amount of net gain from the tax on the foreign traveler, to say nothing of the increased expense of processing and handling the Travel Tax collections.

If the purpose is to provide spite legislation designed to hurt DeGaulle or France, it would be well to realize that we may be "cutting off our nose to spite our face." I know of a number of people who have planned trips abroad for this summer, none of whom are expecting to visit any part of France. The effect of the proposed travel restrictions would, therefore, adversely affect other countries to their detriment and probably to ours. It seems to me that it is important for the United States to encourage travel interchange between its citizens and those of other nations. "Getting to know each other" is extremely important today. Friendships ripen from better acquaintance and better understanding, one of another. Also, it would be well to inform the public on what, if anything, is being done to make sure that the tremendous amounts being spent by our Government in foreign countries are being so controlled as to assure proper application to those funds to our benefit in the Balance of Payments situation.

If the purpose is to benefit the international gold situation as reflected in the Balance of Payments, I am wondering just what analysis has been made to determine just what the actual monetary improvement would be. If it really assures a substantial benefit, this should be explained to our people. From comments which I hear frequently, there is serious doubt and skepticism as to any real benefit in this direction. It seems to me that there needs to be real assurance that the benefits will be substantial in order to offset the hostility which may be engendered in nations whose friendship we need.

We realize that the problems are complex. We trust that from your Committee hearings, there will come more complete explanations, and other and better ways and means of meeting these problems.

Yours very truly,

JOHN S. CARRIGER.

Pittsburgh, Pa., February 19, 1968.

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

DEAR SIR: I want to express my objections to the Treasury Department's proposal for an excise tax on foreign travel for the following reasons:

1. **Taxation is not the proper solution for the balance of payments problem.**
2. The tax would encourage widespread evasion.
3. The tax would penalize less affluent citizens.
4. Foreign travel should be encouraged.
5. The tax will seriously affect the income of many United States organizations.

The administration is increasingly using taxation for social and economic purposes. I recognize that it is impossible to reverse this trend in many areas of the tax laws, but I believe this trend should be curbed rather than extended.

If the United States must reduce its balance of payments by reducing foreign travel, it should not do so through a tax device. If such curtailment of travel is so important to our economy, foreign travel itself should be restricted, with reasonable exceptions. The proper solution is an embargo on travel, just as we impose an embargo on sales of certain materials abroad to Communist-controlled countries.

The provisions of the proposal appear to me to be simply unworkable. Obviously, this kind of tax will be detested by travelers who feel that their freedom as Americans is being unnecessarily hampered. The volutary disclosure suggested by the Treasury Department and the voluntary assessment is not going to work as well as the present income tax voluntary assessment, with all the checks and balances that are available through automatic data processing. Probably travelers who continue to make extensive foreign trips will be those of our more affluent society, and I think it is to be expected that many of these will evade the tax by any number of devices, including outright fraud. Unless the administration can cover those who leave via Canada, those who use credit cards, those who transmit funds abroad, and those who simply lie about their spending, the proposal will simply harm the honest citizen without discouraging travel by the dishonest.

The tax is severe enough that it will inhibit foreign travel by many families who must scrape and save to make the once-in-a-lifetime trip to Europe. It will not, in my opinion, affect those who are wealthy enough to continue to make travel abroad. To them it will simply be an additional nuisance and inconvenience. These are the travelers who spend the most abroad.

Going to the merits of prohibiting foreign travel, there is first a basic argument that Americans should be free to travel, wherever they like in the world. You know of the extensive criticism of the State Department in prohibiting visas to certain Communist-controlled countries. I do not debate the wisdom of these restrictions, but I do feel that our Government's preventing normal social intercourse between Americans and foreigners is to be deplored.

I am one of those who believe that the more American citizens travel in foreign lands, the greater understanding they have of foreigners, of foreign problems, of foreign philosophies, and become, because of this exposure, better American citizens. I will go with the old cliche that travel really is broadening. I think our Government should do everything it can to expose Americans to foreign influences, and, by the same token, increasingly to let foreigners learn that all Americans are not Hollywood movie stars, the "jet set", gamblers and the like.

It is obvious, also, that such a tax will have a very adverse effect on the American travel business, air-lines and steamship companies. If the tax policy is to be successful, it will have to inhibit greatly the amount of travel done by Americans. The more that the foreign travel is reduced the less the Government will receive through the excise tax. At the same time there will be a greater loss of revenue to American air-lines, travel agencies, steamship companies and the like, which receive a substantial part of their revenues from American foreign travel. Secretary Fowler's figures (Newsweek, February 19) indicate that 2,200,000 travelers spend an average of $450 for travel fare. It is reasonable to presume that a large part of this $990,000,000 goes to American businesses and that a large part of that is paid in income taxes. Where the income tax loss is measured against the expected saving in balance of payments of only $500,000,000, the whole scheme seems almost self-defeating.

All of these factors indicate that this is an ill-considered tax, a poor and inadequate solution to reduction of balance of payments. I hope that your committee will not look favorably upon this latest Treasury proposal. I am sending copies of this letter to Senators Clark and Scott and to Congressman Corbett, with the hope that they, too, will oppose this unwise and unjust tax.

Respectfully yours,

DONALD L. MCCASKEY.

SHAKER HEIGHTS, OHIO,
February 20, 1968.

CHIEF COUNSEL, COMMITTEE ON WAYS AND MEANS,
Longworth House Office Building, Washington, D.C.

GENTLEMEN: It is my understanding that you are willing to receive written statements from individuals regarding the Hearings on the Administration's

Balance of Payments Proposal. I felt from the very beginning that the program as outlined by President Johnson would be detrimental to the United States in the long run. With more of an opportunity to study and read exactly what is suggested, I am now convinced it will be. I'm sure we all agree that we cannot continue to have a balance of payments deficit. However, why is it logical to attack the very area that is adding to the credit side of the ledger, and to continue with our many and varied non-productive Government overseas programs? Is it logical to ask our corporations to curtail investments, which are now returning and will continue to return profits to the United States, while continuing with projects politically motivated, and which ultimately can return nothing to the United States?

The facts and figures alone bear out some of the statements in the previous paragraph. In the first half of 1966, corporate and individual investments overseas totalled 1.74 billion, and the return was 2.8 billion. For the whole of 1966, the return on investments was 5.65 billion, while new investments totaled 4.025 billion, leaving a favorable balance in this sector of our economy of 1.625 billion.

It is inconceivable to me that any American corporation would be desirous of, nor would the stockholders permit, making an investment in any country, United States or foreign, unless they expected a return greater than their investment. To place a moratorium on this type of investment for a period of time is only giving a carte blanche to our European or Far Eastern competitors to increase their share of the market, and ultimately will contribute to our balance of payment deficit.

The second item, the repatriation of foreign earnings, is much more difficult to discuss, and certainly we have a right in periods of national emergency to require that a percentage of foreign earnings be returned to the United States. It is not logical or economically sound, however, to set this percentage at such a high figure as to weaken our overseas corporations, and to leave them at the mercy of the foreign national organizations, who would ultimately destroy the profitability of same and again contribute to our payment deficit.

The temporary curbs on overseas lending would appear to be logical. Most American corporations should be able to borrow funds in the foreign country, even though ultimately they must stand behind such a loan. In this particular instance I certainly have no personal objection, and can agree with the basic idea.

Tourism—on the travel tax proposal. I find it quite difficult to understand why someone, a citizen of a free nation, should be told by the Government where he can travel. I realize that the proposal does not prohibit travel, but it has the same effect through the tax. The biggest objection I have to the travel tax proposal is the fact that I would expect to see a reaction by France, Germany, Italy, and other European nations, resulting in no great change in our balance of payment picture.

President Johnson's proposals for a travel tax would include businessmen traveling in order to increase exports. One way to help cure our deficit is to increase our exported goods, and yet the President is trying to tell the American businessman that he must pay an additional tax in order to help our program by creating more export sales. This is somewhat like telling a young child that he should work hard at his studies so he will be able to fill a need as a reporter for the school paper. However, to fill the need, he must pay a higher fee if he is going to study journalism.

It is also true that at the very time President Johnson was telling Americans that he wanted them to stay home, and that if they insisted upon going overseas he wanted them to be taxed heavily for this privilege, Senator Young of Ohio, Vice President Humphrey, and other members of the President's political party were traveling around the world. I find it difficult to discover why they are abroad. As a matter of fact, the Vice President was promising to give more aid in some areas of Africa, and hence create a bigger deficit.

I am sure that the committe wants the thoughts of all interested citizens and I hope I have clearly stated my reasons for believing that the proposals of President Johnson will not solve our problems. No one proposed a measure that would help curb the continual outflow of dollars to nations throughout the world for various aid programs. The Administration's proposals are merely an aspirin tablet and if the cause is not corrected, our headache will return. I only call to your attention that during the course of his explanation, the President made the following statement "Today our domestic money, the U.S. dollar, is also the

money most used in international transactions. That money can be sound at home—as it surely is—yet it can be in trouble abroad—as it now threatens to become."

During our efforts to work with the EFTA nations, we have stressed the need for convertibility. This requires the fundamental fact that "a dollar must be a dollar", and it must be a sound dollar everywhere. However, the Administration requests a 10% tax surcharge, but makes no efforts to cut the budget, and makes no effort to halt internal inflation.

Gentlemen, yours is a very difficult job for you must attempt to do what is best for the nation as a whole, taking all factors into consideration, including short and long-term effects of any legislation or new regulations. I do not envy you your task and I thank you for taking my views into consideration.

Very truly yours,

JAY MOORE.

STATEMENT OF RALPH A. MILLER, MOUNT RAINIER, MD.

Lady and Gentlemen:

Summary.—The proposed Travel Tax (es) are Unconstitutional, but Imbalance of Payments could be reduced, or eliminated, by using Counter Part Funds, and by a small Tax on Large Volume Imports. The proposed Tax(es) are discriminatory. The Administration should be required to "Come to Court with Clean Hands" by purging itself of Complicity in Creating the Imbalance of Payments.

The proposal to Tax Travel to Certain Foreign Areas is Opposed for the following Reasons:

1. *Unconstitutional.*—It is prohibited by Article 1, Section 9, Para. 5 of the Federation Constitution.

2. *Unconstitutional.*—It is discriminatory, not applying to all Citizens, but only to those who travel Abroad, and is further discriminatory in that it does not apply to all places.

3. *Clean Hands.*—There is an established Legal Principle that a Plaintiff must come to Court with "Clean Hands". Chairman Mills of this Committee quite properly applied this principle when the 10% Surtax was requested, and this principle is equally valid regarding the proposed Foreign Travel Tax(es). The Administration should be required to purge itself of all guilt of Contributing to the Imbalance of Foreign Payments before the Congress gives any further consideration to this Request.

4. *Counter Part Funds.*—The out-flow of U.S. Money can be reduced, however, without trying to curtail our Constitutional Rights, by the use of Counter Part Funds. By authorizing Banks to sell Counter Part Funds at a slight discount, Travellers would gladly buy them. This would cost us nothing, as we have already paid for them. If the Counter Part Funds were sold at 95 per centum of Face Value, the Treasury would get 95 per centum of the money spent abroad, instead of perhaps 25 per centum that the proposed Tax(es) would provide. Although all Countries may not have Counter Part Funds, the much greater percentage accruing to the Treasury when Counter Part Funds are sold might be enough to compensate for the loss of Taxes on expenditures in Countries not having Counter Part Funds.

5. *Cruel.*—The proposed Taxes can be very Cruel. To a great many people, a Trip Abroad is a Long Cherished Dream, for which they have scrimped and saved for Years. These are mostly elderly people, to whom a difference of even two years can make considerable difference in their physical stamina, a lessening of which might make the Trip impracticable. Young healthy people can sleep in Youth Hostels, and not spend more than $7.00 a day, but elderly persons can not "Rough it" as the young can, and I feel certain that, in many cases, the proposed Tax(es) would make the trip impracticable. As most people in this Country are of European descent, most of them would probably want to go to Europe.

6. *Duty Exemptions.*—The reduction of Duty Exemptions is also Cruel to the people mentioned in Para. 5 above. Friends and Relatives expect gifts from persons going Abroad. The proposed $10.00 Exemption is preposterous. A person with many friends and relatives could buy very little more than Post Cards and Stamps with this amount.

7. *More Import Duties.*—Should, after the Administration has purged itself of Complicity in the Imbalance of Payments, there remain an appreciable Imbalance, this could best be remedied by a small Import Duty on materials that we import

by the thousands of tons, such as Iron Ore, Copper, Crude Oil, Coffee, etc. The cost of these Duties would be spread more or less evenly over the whole People, and not concentrated on a special few.

8. *Reject Travel Taxes.*—Any one of the above Considerations should be enough reason for not considering *Imposing* a Travel Tax, and reducing the Duty-free Allowance. Taken to-gether, I consider that the Congress has no choice but to refuse to make it a Law.

STATEMENT OF LEE B. THOMAS, JR., LOUISVILLE, KY.

SUMMARY

The travel tax program is opposed on 5 principal points.

1. It discourages the interchange of people and ideas and thus restricts the international understanding so necessary to world peace.
2. It is a beginning of a further restriction on the freedom to travel by Americans—an abridgment of our civil liberties.
3. It discourages education abroad to some extent, in spite of exclusions.
4. It discourages international trade.
5. It makes it more expensive to administer foreign efforts of American companies and thus may actually worsen the balance of payments through a reduction of repatriated profits and a reduction in export trade.

DISCUSSION

Obviously the power to tax is the power to destroy. When a rate of tax is 30% it makes an expenditure prohibitive in many cases. As a matter of fact, the object of this legislation is admittedly not to raise revenue but to eliminate certain kinds of foreign trade.

For many years Russia and Eastern Europe were isolated behind the "iron curtain." During this time these coutries were extremely hostile to the United States. After much negotiation culminating in the Eisenhower conference at Camp David, Russia loosened restrictions so that I was able to go to the USSR. I believe I was a reasonably effective goodwill ambassador for this country. In the years since, travel restrictions have eased and so have tensions. I believe it would be a great mistake to reverse the course.

Because of the Vietnam war we are finding our relationships with some natural allies strained. Mr. deGaulle is not doing us any favors. Under these conditions we need person-to-person contacts.

In a Democracy we, the electorate, make the ultimate decisions. At a time like this, when we are at war, when the decisions may determine the fate of civilization itself, it is wrong to restrict the opportunity for the people to learn. No, let us encourage travel, not restrict it.

TECHNICAL POINTS IN RE 120 DAY PROVISION

1. It is doubly unfortunate to discourage young people on trips shorter than 120 days and/or on summer vacation tours. Many American young people need the broadening education.

2. Business executives overseeing foreign operations are usually abroad for 20 to 60 days. This is not consistent with our desire for efficiency to discourage brief trips. In my responsibilities as president of Vermont American Corporation, I usually spend 3 weeks in Europe. Of this time a substantial percentage is spent visiting customers trying to stimulate export sales.

BUFFALO, N.Y., *February 15, 1968.*

Re: The President's Balance of Payments Proposals. Changes in Customs Rules. Pages 11 through 14 of Technical Explanation of the Travel Tax Program and Proposed Changes in Customs Rules.

JOHN M. MARTIN, JR., Esq.,
Chief Counsel, Committee on Ways and Means,
House of Representatives, Washington, D.C.

SIR: For importations not greater than $250, the distinction between "commercial" and "noncommercial" is fallacious. Since the application of a flat rate

to "noncommercial" shipments/acquisitions would simplify the administrative task of Customs, could not the same be said of "commercial" shipments/acquisitions?

There is inconsistency in the use of the words, "retail" and "wholesale" with the various limits ($1, $10, $50, $250, $500). This creates confusion. Since virtually all customs valuation (apart from penalty matters) respecting *ad valorem* rates is addressed to wholesale values, it would be desirable to use "wholesale" for the various limits for informal entries, exemptions, gifts, low value items of under $1, and formal entries. ("$10" might be changed to "$6").

Better yet, why not raise the limit of informal entries to $500 wholesale and apply a flat rate of 10%, whether or not the entry is "commercial" or "noncommercial"?

Customs' administrative task will be simplified.

10% will serve as effective a deterrent as 25%.

Yours respectfully,

BEDROS ODIAN,
Attorney at Law.

NORTH TARRYTOWN, N.Y.,
February 15, 1968.

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

DEAR SIR: I would like to record my opposition to the proposals now being considered by the Committee on Ways & Means with respect to taxes on travel outside the Western Hemisphere, and changes in customs on tourist exemptions.

My occupation in publishing, in common with that of many hundreds of persons in other industries, is directed to the very goal of improving our balance of payments, by selling and exporting to foreign markets American products. I have made in the past many, and expect in the future to make more foreign trips to develop our sales in these foreign markets.

I fully agree with the need to develop a more favorable position for the U.S.A. in its balance of payments, but I do not see how this proposed legislation is any remedy or cure. It is like giving a cancer patient a bottle of patent medicine, and further compounding the real problem by suggesting that if he takes the medicine all will be well.

The restrictions, direct and implied, in this proposed legislation will do little but hinder our efforts to reach our foreign markets, Foreign press comments show we have gained no new friends in this proposal; and will surely lose a great many if such restrictions are imposed. Against such legislation as this, our friends overseas have no defense. They certainly can react however by buying less of those products which American business is trying to sell them; and by continuing their withdrawal from other programs which are an integral part of our foreign policy.

If the goal of government is to increase tax revenues, there are other means which at least have tradition and custom in their favor. Why need we create a kind of tax which has never before been imposed on Americans?

It also would follow that in this attempt to set a new tax the government will need yet another layer of tax inspectors, collectors, and enforcers. Any revenue earned from such a tax would surely be consumed in the administrative machinery required to keep it in operation. I must also express skepticism as to how temporary such a tax would be; governments do not easily relinquish newly found sources of revenue, popular or not. The proposed method of taxing would doubtless be annoying to the tourist, but to a business organization, yet another administrative expense and chore.

My viewpoint is largely that of business, but I cannot help but look on these proposals also as a private person. If the goal of the government is to restrict travel, I can only consider this to be a most reprehensible invasion of individual rights. More travel rather than less is one of the honored ways in which international understanding can be gained. The proposal then would appear to work more against our personal and national interests than in their behalf.

I urge you to consider these points and to conclude the hearings on this legislation as promptly as possible on the ground that this is poor legislation in a doubtful cause.

Sincerely yours,

GEORGE H. RAPPOLE.

NEW YORK, N.Y., *February 21, 1968.*

CHIEF COUNSEL, COMMITTEE ON WAYS AND MEANS,
House Office Building, Washington, D.C.

DEAR SIR: I put on record my strong opposition to any and all impediments to travel abroad, and I beg to make the following points.

(1) Freedom of travel is one of the greatest of the rights and privileges of Americans, and one of the most useful. Acquaintance with the civilization, culture, customs and languages of European countries makes an American aware of the situation of his country in the world, and makes him a better citizen by making him more international. As the acquaintance ripen into familiarity, the effect is deepened. (I have had great opportunity to observe the converse. When long ago I began to travel to Europe, Europeans seldom came to the USA except as diplomats or immigrants. The ignorance of America among Europeans was often appalling. It did harm to those countries as well as to ours).

(2) Friendships between Americans and Europeans are particularly valuable to international relations. It takes repeated visits to build up a circle of close friends in Europe. My wife and I have been doing this for many years, and I dare to say that we have deserved well in making good friends for ourselves who became good friends of America.

(3) Professional contacts between American and European professional people are valuable, and the more so the longer they go on and the oftener they are repeated. I am a physicist. I know by experience how good it is for both sides that the physicists of the USA should exchange views and experiences with those of Europe, in their laboratories and in their homes. I have done much of this myself. And yet if special exemptions were to be made for students and teachers I should not benefit by either, for I belong to neither class.

(4) There seems to be an idea that Americans abroad are lavish spenders belonging to the "jet set". Doubtless there are such; I do not know any. Much more abundant are other types: those who have saved money for years for a long-awaited trip; those who take package tours in which every item of expense is calculated and paid in advance; those like myself who live among the people and who shun luxury hotels and restaurants.

(5) There are other ways of attacking the balance-of-payments problem. I think first of the enormous outflow of investment capital, fourteen billion dollars in 1967 alone, according to President Johnson himself. Let this be curbed not just by the 11% that Mr. Johnson wants, but by enough to take care of the "tourist deficit" as well. Then there are the schemes for encouraging travel from Europe to USA, such as those described in yesterday's New York Times, and the ingenious scheme of Mr. Henry Reuss of the Banking & Currency Committee. Let these be used to the utmost, and see how things then go.

Respectfully yours,

KARL K. DARROW.

SAYVILLE, N.Y., *February 26, 1968.*

HOUSE WAYS AND MEANS COMMITTEE,
Washington, D.C.

GENTLEMEN: The work the Ways and Means Committee is now doing on the travel question will ultimately affect all citizens and taxpayers of this country. Therefore you will surely solve the problem in the best interests of everyone in this nation.

These are some of the reasons for *No Travel Restrictions:*

Both at home and abroad we should preserve our reputation as the *country of the free.*

It is not the time to endanger any peaceful and friendly international relations which generations of Americans have helped to create.

Tourism & travel could fit into the country's budget under the heading of *foreign aid.* It is the best form of aid, going through average U.S. citizens from all walks of life, directly to the working people of a foreign nation. That money is earned respectably by those pursuing a trade and is not a handout.

There would be a *cultural and educational lag* for the whole population if their teachers, fellow-students, co-workers and neighbors are no longer able to inform them about nations outside the western hemisphere.

A 5% transportation tax to equalize foreign & domestic fares would be considered reasonable.

But if the proposed taxes on other expenditures go through, will there be a *financial burden on all taxpayers to enforce such taxes?* When Secretary Fowler says that on an outlay of just over $7 per day the tax would "only" be 45¢, can we be sure it also cost only 45¢ to collect this tax?

Can a nation that is seriously striving to raise educational standards for all, afford to waste government funds in teaching the filling-out-of-forms?

There should be *No Reduction in the Present $100 Customs Allowance.*

It would cause more chaos at already crowded customs checkpoints.

The allowance included everything acquired, even inadvertently, such as gifts received, or necessary repairs made.

How much would it cost to reprint all the customs folders and manuals? The proposed 25% flat rate is unfair—It might be too much—or too little.

How much will it cost all taxpayers for the extra manpower needed to enforce the new regulations?

So many of our problems across the nation are caused by an influx and spread of narcotics, pornography and contraband. But instead of dealing with such criminal activities, highly trained Federal employees will be used to dig through the dirty laundry at the airports.

Our docks are riddled with corruption, crime and crippling strikes. Yet they will be swarming with an army of government workers—paper and pencils poised—ready to do battle with ordinary tourists and their souvenir ashtrays and straw hats.

Possible helpful suggestions:

For the proposed travel taxes and customs reductions there is a *Compromise Solution,* killing two birds with one stone, which is efficient, fair and *democratic.* It calls for *a Graduated Customs Levy on Imports Over $100.*

That would effectively inhibit the *high-spending jet-set* with their Paris wardrobes, foreign furniture, and expensive jewelry. Like the income tax it would be in line with the progressive ability to pay.

There would not be any interference with ordinary tourist souvenirs and gifts, some of which are educational, and the acquisition of which often means the making of a new friend for our country.

Reduce the Frequency of the Customs Exception.

The current once-in-30-days allowance benefits only the jet-set and the smugglers. Only they bring in goods from several foreign trips a year.

The average tourist or visitor to the old country goes between once-a-year to once-in-a-lifetime.

Instead of tax money, ask travelers to *contribute their time and talents* to promoting the U.S. Most American travelers are not only good-will ambassadors, but the most successful advertisers in getting foreigners to visit our country. There is nothing like a personal, straight-from-the-horse's mouth description of our land and its wonders to convince relatives, old and new-found friends and even casual contacts to come and see the USA.

I hope the Ways and Means Committee will deal with the travel propositions in a positive way, without having to resort to restrictions. Our country cannot afford the expense—educational, sociological, and financial—needed to support any restrictive regulations.

Assuredly any citizen and taxpayer—whether he travels or not—would be paying for them.

Yours very truly,

DITA C. GREENE
Mrs. Lawrence Greene.

ARLINGTON, VA.,
February 27, 1968.

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

DEAR CHAIRMAN MILLS: This morning's New York Times reports that Assistant Secretary of the Treasury, Stanley S. Surrey, caught an arithmetical error in testimony by the American Travel Association to your committee, I believe attention should be given to errors by the Treasury Department in testimony to your committee which are worse than mere arithmetical errors. In at least one case, the error amounts to using balance of payments data supplied by the Commerce Department in a fallacious manner. The Treasury Department thus lends its authority to the misuse of data from the Commerce Department.

The American Travel Association had argued that "a little simple arithmetic" showed that only 100,000 additional tourists, each spending $500, would produce a $500-million improvement in the balance of payments. Their arithmetic was wrong and the correction brings the figure down to $50-million. But their economic reasoning was also wrong and perhaps Mr. Surrey did not mention this because the same criticism applies to the figures used to show how much our balance of payments would improve by restricting American travel abroad.

The American Travel Association erred in assuming that the increased spending by foreign tourists in the U.S. would leave unaffected the purchases in their home countries of American goods. Some reduction in this would ensue because of their absence and this would have to reduce the $50-milion figure somewhat. This undoubtedly would be not a large reduction because the whole item is not very large in the international payments accounts. With the larger accounts, we cannot assume that the full gain is identical to the figures shown for the "guilty items" which, as it were, with a meat axe, are cut out of the picture. This, however, is regularly done by the Treasury Department.

On page 109 of the Treasury Department's January 1968 publication Maintaining the Strength of the United States Dollar in a Strong Free World Economy, tables 20 and 21 deal with an artificial account called "travel account" and this is even broken down by geographical regions. This gives a false picture because in actual fact, the financing of travel in one direction does not come from travel in the other direction. Furthermore, this separation into an independent account of one item completely contradicts the whole purpose of showing the relaitonships between the various accounts in reports from the Commerce Department. (I notice that one of the above tables gives as its source the Commerce Department, but the other one's "source" is "derived from Department of Commerce data." I am willing to bet that the Commerce Department would not approve of this use made of their data and ask your committee to check on this.)

As the February 1968 Monthly Economic Letter of the First National City Bank says (with emphasis on attempts to restrict investment abroad), "the new programs fragment the balance of payments. But in practical reality, there are pitfalls in fragmenting what is an organic whole * * * The concept of an adverse tourist balance fails to take into account that foreign nations in turn have an adverse balance in the purchase of airplanes * * * Will our control approach richochet by implanting concern abroad about the investment income balance, adverse to most foreign countries and favorable to the United States?"

I hope your committee will heed some good advice given by Walther Lederer, who is Chief of the Balance of Payments Division of the Commerce Department. While he states this as only his own opinion and not that of the Department, it is more than just his opinion but represents one of those things that economists generally agree upon, in the face of their many disagreements. In "Measuring the Balance of Payments" (in Factors Affecting the United States Balance of Payments, 1962, Joint Economic Committee of Congress, pages 75–85), Mr. Lederer says: "Mere addition and subtraction of the various figures presented in balance-of-payments compilations is not a sufficient tool to analyze the balance of payments. * * * The balance-of-payments account has to be considered as a whole and analyzed by looking at the economy as a whole and its position in the economy in the rest of the world. If one industry loses out to foreign competition but other industries are not gaining sufficiently to offset the losses of the declining industry, the balance-of-payments problem is not just associated with this weak industry, it is economywide. * * * Of course, there are many people who want to draw attention to one or another item in the balance of payments to explain an unsatisfactory condition in the balance as a whole. * * * It is the purpose of this paper to warn about the pitfalls of this procedure and help direct analytical endeavors to the broad and fundamental economic relationships where they can be more productive and helpful in policy formulations. After all, the economy is * * * an integrated whole, and not a pile of disconnected segments."

Mr. Lederer's advice would have served the Secretary of the Treasury, Henry H. Fowler, in good stead in June 1965. As shown in "Gold, the Dollar and the World Monetary System," A Committee for Economic Development Symposium, June 1965, (page 42) he said: "Each time the deficit was held down in one place, it bulged out in another. In fact, we have been plagued by a series of deficits arising from a different mix of causes from year to year." He seemed surprised at this, seeing it as a "plague." But I am surprised that in his testimony of February 5 this year to your committee there is no recognition of the organic nature of

our balance-of-payments situation. This is shown by the assumption that the way to get rid of an offending item is to subtract it without regard to effect on other items and without regard to future impacts. I recommend to your committee's attention the testimony of Professors Fritz Machlup and Jack N. Behrmaan, which I heard on February 19 before the Joint Economic Committee. This shows that rather than blaming any "plague" for our troubles we should examine the undesirable side effects of our own action.

The Secretary of the Treasury told your committee on February 5 that "the U.S. must seek a solution to the payments imbalance through the expansion of the world economy, rather than the severe contraction of its own, and, consequently, the world economy." Then he proceeds to propose contractions of our economy. Others say they are trying to "defend" the dollar; then they proceed to undermine it, sometimes in the interest of the defense of the contrived role of gold, masquerading as a "defense of the dollar."

The February number of the MORGAN GUARANTY SURVEY (published by the Morgan Guaranty Trust Company of N.Y.) carefully specifies "devaluation of the dollar in terms of gold" when they talk about the possibility of increasing the price of gold, which is a commodity resting on the U.S. Treasury prop of a fixed price it could not earn in a free market. (According to Otmar Emminger's statement, reprinted in the February 25 Washington Post, "the present arrangements provide the speculators with a cheap one-way option," referring to the fact that the gold market is not free, since any falling price is made impossible by our Treasury's standing offer to pay $35 an ounce come what may. Dr. Emminger, an official of the German Central Bank, knows what he is talking about, but typically he plays down the offense against the dollar which is widely prevalent and encouraged by public officials supposed to be defending it.) The true devaluation of the dollar has to do with the exchange rate with other currencies and this is not the same as devaluation of the dollar in terms of gold, or what amounts to the same thing, raising the price of gold in terms of dollars. Everybody knows that the value of the dollar within the domestic economy has to do with its purchasing power of the goods and services people normally want to buy, but many seem to forget about it when they turn to the international field, and rivet their attention to gold, which hardly anybody wants, but about which persistent gold speculators are incredibly stupid.

Anyone who bought gold in 1954 would hold now approximately one-fifth of the amount of wealth that he would have if he had bought instead American stocks in the New York Stock Exchange in an average combination, the Dow Jones combination. This was pointed out by Prof. Fritz Machlup of Princeton University, before the Joint Economic Committee on February 19. Even if he had invested in Treasury bills, which are the lowest yielding assets, in the last 10 years the value of his holdings would have gone up by 20%, while held in gold, they would have gone down in the same proportion, according to Mr. Wm. F. Butler, Vice President of the Chase Manhattan Bank, who agreed with Prof. Machlup. Then Prof. Jack N. Behrman, of the University of North Carolina joined the fray by pointing out that if the U.S. had sold all our gold to the rest of the world for francs, lire and pounds we would, holding these, even with the various devaluations, now hold $20-billion worth of assets. We could then have met all our deficits out of interest. In other words, these experts were saying that to get rid of the gold is the best business. The widespread fear about "the drain on U.S. gold" is not based on hard facts.

According to page 77 of the Joint Economic Committee Hearings on the January 1965 Economic Report of the President, Mr. Ralph Young, Secretary of the Federal Open Market Committee, then sitting beside Federal Reserve Board Chairman William McChesney Martin, wrongly stated that we would violate our agreement with the International Monetary Fund, if we lowered the price of gold. Letters to me from the Treasury Department and from the Legislative Reference Service of the Library of Congress show he was wrong. We should not let the gold speculators "get away with murder" (which is what Senator Proxmire, in a letter to me, said he had let Mr. Young get away with) thinking that the only direction the price of gold can move is up. As stated by Howard S. Piquet, of the Legislative Reference Service of the Library of Congress, in "Some Consequences of Dollar Speculation in Gold," in the Joint Economic Committee's 1962 compilation of studies, Factors Affecting the U.S. Balance of Payments, page 319, "Gold is a commodity, and the same reasoning applies to it that applies to wheat. The U.S. Treasury (not by statute, but by administrative practice) supports its price at $1 per 0.89 gram."

I cannot understand why our Treasury people persistently keep reassuring the gold speculators in their war against the dollar that they have nothing to fear. Mr. Robert V. Roosa, while Undersecretary of the Treasury did this for years, insisting on the sacrosanct "fixed relationship between the dollar and gold", but even after leaving office, he refuses to discuss the merits of his case in the open. (See his book, *The Dollar and World Liquidity*, Random House, 1967, where he defends secretiveness in this area.) While Mr. Roosa was Under Secretary of the Treasury he kept emphasizing that "a continuously large deficit tends to weaken a nation's reputation for solvency and economic strength," (N.Y. Times, Dec. 29, 1961). He brought back blood-curdling reports from Europe, while the OECD report, at the same time (N.Y. Times, Jan. 2, 1962) pointed out that our deficit was not necessarily a mark against us, being due to Government and business lending. Why do our own officials work against us? It's done to this day.

Now again our own officials are overawed by highsounding demands on us from foreign financiers to submit to a balance-of-payments discipline. We are told we must reach an "equilibrium," but this is a poor guide when they can't specify what kind of "equilibrium" will satisfy them. At the June 1965 Symposium on the International Position of the Dollar, conducted by the Committee for Economic Development, the Secretary of the Treasury was asked a question he has not been able to answer to this day. According to the conventional "liquidity" Commerce Department definition of "equilibrium" there was a $3-billion deficit in 1964, but it was less according to other definitions. There was one so-called basic deficit, used by various economists at the National Bureau of Economic Research and the Brookings Institution, which was virtually zero. In effect Secretary Fowler answered the question about the relative merits of the different definitions: Deficit, shmeficit, "various central bankers are putting a lot of dollars out and asking gold for them." While he had "not been aware there was considerable opinion to the effect that we had no deficit," among our economists, he seemed supremely sensitive to prejudices of foreign bankers even though the economies in their countries were in a worse state than ours. (As is that of France today, in spite of the big talk from their financiers about what we must do to win their approval.) Testimony before the Joint Economic Committee on September 9, 1966 included an analysis of "hilarious inconsistencies" of European financiers who call upon us to adopt certain policies and then squawk like hell when we take them literally.

How can we explain the current and past devaluation of the dollar under the guise of its defense? Keeping the price of gold constant, as I have explained, does not prevent dollar devaluation. The dollar used for foreign military expenditures has in effect been devalued. This was done by trying to save foreign exchange whenever the cost of buying at home was more than 25%, later 50%, above the cost in foreign currencies, calculated at the official exchange rate. In other words, in decisions whether to buy at home or abroad, foreign currencies were given a higher value than indicated by the official parity. Correspondingly, the dollar was devalued. They had the temerity to call this "economy in military spending" when in fact it was a way to get less for our money.

Through tying foreign aid to purchases of our products, the U.S. reduced the value of its foreign-aid dollar. Countries receiving aid had to buy in this country even if they could have bought at lower prices elsewhere. It cost some of them 30% more, which corresponds to a devaluation of the aid-dollar by about 23%. In July 1963, the U.S. began taxing purchases of foreign long-term securities at a rate of 15%. This is the equivalent of devaluing the dollar used for buying foreign securities.

This process of devaluation of the dollar is now continuing with the Administration's proposal to tax foreign travel and tourism, which would be equivalent to devaluing the tourist's dollar. To close the "tourist gap" concessions are proposed to foreigners coming to the U.S. which in effect improves their currency in relation to the dollar, another way of saying dollar devaluation.

In addition, there are non-official proposals for taxes or tariff surcharges on imports—the equivalent of devaluing the dollar for imports—and for subsidies or tax-refunds on exports—the equivalent of lowering the value of the dollar to foreign buyers of our exports.

This sneaky devaluation of the dollar discriminates against some and favors others. It is inefficient and probably will leave whatever problem it is supposed to solve worse than before.

I request you put this letter, and accompanying material referred to in it, into the record of your Hearings on Administration Balance-of-payments proposals.

Yours sincerely,

SIDNEY KORETZ.

QUINCY, ILL., *February 24, 1968.*

HON. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
House of Representatives, Washington, D.C.

DEAR CONGRESSMAN MILLS: In regards to the travel tax proposal I would like to submit this statement of protest for the records of the Ways and Means Committee hearing.

I am a travel counselor in a rather large agency and as such I have a double interest in this matter. I am strongly opposed to Mr. Fowler's thoughtless proposal. Aside from the fact that it is discriminatory, unjust, unenforceable, shortsighted, and I am sure unconstitutional in its restrictiveness, it is absolutely stupid in that it will create a destructive retaliation.

American tourism is one of the principal businesses all over the world, providing an income which permits foreign countries to purchase our goods. If travel is curtailed we can look forward to more taxation in order to increase our foreign aid to these countries as they will no longer be able to support themselves.

We in the travel business have been supplied with official statements from every foreign carrier and government and without exception they prove with facts and figures that they are pouring millions of dollars more into our country, in wages, advertising, American built aircraft, etc., than they are taking out. At this very moment Boeing and McDonell-Douglas have nearly two and a half billion dollars in aircraft orders from foreign airlines, and this is just one, very small, example.

Why not put our energy into a more forward and constructive solution such as the United States Travel Service. Let us make the United States a desirable place to visit. Let us continue to travel to far off places so that the world may know that we still believe in our constitution; only then can other countries believe in us.

Respectfully yours,

DEANNA HUTMACHER.

AUSTIN, TEX., *February 12, 1968.*

GENTLEMEN: I wish to go on record as expressing my objection to the proposed travel tax. The very concept of a tax on world travel is repugnant, and it is painfully ironic that it is proposed by an administration which castigates as "isolationists" those who oppose our involvement in the Vietnamese war. What could be more isolationistic than so blatant a disregard for international trade relations, and ultimately world economy, as this tax represents?

On a more basic level is the question of whom such a tax would affect most heavily. Contrary to Congressman Pickle's statement to his constituents who oppose the tax, it is not "those who travel for pleasure and spend large amounts of money abroad," but the middle class people who have saved for years for their trip who are going to be most seriously affected. My husband is a secondary school teacher, and among our friends are *six* couples who planned on European trips this summer. They are all teachers or professors and all have come within reach of these trips by money put aside from obviously limited salaries. That money is a set quantity. There simply is no more. The person with less limited financial resources may be annoyed at the extra outlay brought on by the tax; if they are terribly annoyed, they can always decide to go another year, or make this year's trip within this hemisphere. But there is a vast difference between being annoyed and being prevented. This tax can either prevent the trips of persons like my husband and myself, or decrease their length—the length of perhaps a once in a lifetime trip, not a "this year's trip." Three of the six couples mentioned are young and without children; to try and postpone their trips until another year would almost certainly mean that the next attempt to take the trip would be when they have children, which would either be prohibitive or limiting. Even if the trip were possible after the arrival of a child or children, it would understandably *not* be the same trip; it could never be the same trip.

The proposed tax affects those who travel because they consider it important, not because they're looking for diversion and have seen all the current movies (if that is what Congressman Pickle means by travelling "for pleasure.") But regardless of whom it affects, in principle the tax represents a restriction on the freedom of international exchange in all forms. It is a move worthy of the current Greek military regime. Surely a noisy lobby is not required in order to see this proposal rejected.

Sincerely,

LESLIE L. FENTON
Mrs. Alan H. Fenton, Jr.

WOODLAND, CALIF., *February 28, 1968.*

Mr. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
House of Representatives, Washington, D.C.:

This is being sent in the form of a formal statement on the *proposal to tax overseas travellers.*

I wish to go on record as stating that this proposal is unfair to the majority of the citizens of these United States.

The proposed legislature is discriminatory and unjust and seems to me to be unconstitutional to the American way of life.

It leaves too many loopholes.

It is a short-sighted expedient which will not solve the financial problems of America but will create more serious problems in the future. Our so called good relationship with peoples of other nations will be seriously jeopardized.

I sincerely hope and pray that you good gentlemen will have the foresight to see the dangers in this proposed legislation and will vote against this.

Sincerely,

Miss FRIEDA HANKE.

THOUSAND OAKS, CALIF.,
February 25, 1968.

Mr. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
House of Representatives, Washington, D.C.

DEAR SIR: I would like to write to formally protest the proposed legislation concerning taxes on International travel.

I feel the proposed legislation is discriminatory and unjust. It seems to me that it is against the American principle of free movement.

I am writing to protest this most strongly and hope your Committee will realize the danger of this legislation.

Yours truly,

BORIS MANN.

STATEMENT OF STEVEN E. PEYETTE, ET AL, OF BERKELEY, CALIF.

Due to various administrative, economic, and political policies, the United States of America is presently faced with an extremely tense and critical drain of its economic resources. Part of the administration's proposed solution, is to initiate a temporary two-year tourist tax upon Americans traveling abroad, the amount of which is dependent on the traveler's destination and purpose. Consequently, such national legislation would deter many Americans from traveling abroad, and thus limit the number of American dollars flowing from the United States.

Possibly, this action would stem the present deficit balance of payments and bring our economy closer to international economic balance. However, I feel that this prospective tourist tax will impose yet another restriction upon my individual right to freedom of choice, upon which our philosophy of government was founded.

There are other solutions to resolve this economic dilemma; however, if we, as capitalists, deny or impose burdensome and monetary regulations upon our rights to travel and shop in the International Market Place, then we have usurped our concept of competitive freedom.

This loss of personal and economic freedom is essentially what brings me to submit this statement. I urge the Committee to oppose strongly this proposed legislation which attempts to deny each and every American his freedom of travel, his freedom of choice. If, however, such legislation is approved by our leaders, we can only look forward to the pendulum of increased restrictions in all areas of our political, social, and economic lives.

The following persons join me in the submission of this statement: Margaret L. Fraga, Jessica Nason, Barbara Brock, A. F. Jacobsen, Louis Taylor, Robert B. Moffett.

SPRINGFIELD, MASS.,
February 10, 1968.

MR. JOHN M. MARTIN, Jr.,
Chief Counsel, Committee on Ways and Means, Longworth House Office Building, Washington, D.C.

DEAR SIR: I submit the following statement to the House Ways and Means Committee on the Administrations proposed travel tax program.

As a citizen of the United States I find myself quite revolted by the "travel tax" that the present Administration is proposing.

My wife and I have traveled extensively in the United States and have been overseas twice. The last time we went abroad we visited, among other places, Egypt, where they check the amount of money you take in, make you exchange it for Egyptian currency, and then make you give them an accounting when you leave.

Our entire group was disgusted with this type of bureaucracy and I thanked my lucky stars that I was born in a country where people could come and go with dignity.

A more unpalatable method of collecting taxes I cannot imagine for a United States citizen than to face an inquisition of how much money he is taking out of the country, how much he brings back, plus the other suggested frustrations outlined in current news articles.

If something must be done, and I do not believe it necessary at all if the government would cut down by a few billion dollars on the taxpayers money they are spending overseas, why not do something basic like calling in all passports and reissuing them at $50.00 each for a two year period?

I request that the Committee give thoughtful consideration to the proposals that are being made bearing in mind that this is *supposed* to be the "Land of the Free", not a police state.

Sincerely,

CHARLES F. BURNHAM.

PASADENA, CALIF.,
February 19, 1968.

MR. WILBUR D. MILLS,
Committee on Ways and Means,
House of Representatives, Washington, D.C.

MY DEAR MR. MILLS: No doubt you have received many letters concerning the proposed action which would curtail people from enjoying the fruits of their labors during the Sunset Days of life.

I personally have been traveling to different parts of the world since 1932 and I find the big majority of travelers are folks above sixty years of age.

They are people who have worked hard for many years and have saved their money for this great pleasure, and to enforce a curtailment on their privilege to spend their money for something that is a milestone in their lives just doesn't seem to be morally right.

I know many, many couples that I have met in various countries during my lifetime who were enjoying so much their one week's vacation, and a great number of these people are no longer living.

I hope that you will not be a party to any such legislation which will deprive these people who, instead of saving their money to leave to their heirs, have decided to see some of the other parts of the world before they pass on.

It is my privilege to have breakfast in Los Angeles with about 200 executives every Tuesday and last week the air was a little thick with criticism of the administration for even contemplating such legislation.

You and your committee, by opposing this legislation, could pass on to your Maker feeling that you had not thrown any obstacle in the way for people to receive this one big thrill out of life.

Cordially yours,

M. W. KELLY KELSO.

PASADENA, CALIF.,
February 22, 1968.

MR. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
House of Representatives, Washington, D.C.

DEAR MR. MILLS: I wish to respectfully register my opposition to the proposed restrictions on travel and travel taxes.

The proposals by the Secretary of Treasury impress me as being very discriminatory, unjust, and enforcement would create a monstrous situation.

I am utterly opposed to any restrictions to travel on our citizens except only under strict National emergency. The principle of free and unrestricted movement should be encouraged—not opposed.

Granted the balance of foreign payments is a very serious problem, but I truly do not feel travel is the area to be examined and I question the Secretary of Treasurer's statistics with reference to tourists overseas spending.

My basis for opposition is based on a total of 41 years experience in the field of Transportation—eight years experience as an officer in the U.S. Merchant Marines; five years active duty in the U.S. Navy with every moment associated with transportation, both overseas and in Navy Headquarters in Washington; ten years as an executive in U.S. Steamship Companies; and 18 years as a Travel Agent. I bring out these personal statistics merely to try to prove my point that I am writing from long experience, and a lot of thought.

I sincerely hope that you and your committee will find means to avoid what I consider unnecessary curbs.

Respectfully yours,

R. D. KINGSBURY.

LAGUNA HILLS, CALIF.,
February 17, 1968.

Mr. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
House of Representatives, Washington, D.C.

DEAR SIR: I should like to register my opposition to the proposed International Travel Tax which I understand will receive a public hearing in the House Ways and Means Committee next month.

This proposal strikes me as being discriminatory, unjust, unworkable, the enforcement of which would create another bureaucratic monster, and we now have too many of those.

Very truly yours,

Mr. and Mrs. FLOYD M. SHARP.

LOS ALAMITOS, CALIF.,
February 19, 1968.

Mr. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
House of Representatives, Washington, D.C.

DEAR SIR: Please accept this as a formal statement of protest to the Proposal to Tax Overseas Travellers.

We, as American citizens feel that any tax of this kind is discriminatory and unjust because it is against the American principle of free and unrestricted movement.

We believe it is unworkable and leaves too many loopholes.

We feel it is a short-sighted expedient which will not solve any problems but rather create more serious problems in the future.

This tax will not affect the wealthy, for a few more dollars means nothing to them so it will only create hardships on those Americans who have been saving for a trip to Europe for many years.

We have earned our money honestly, we have paid our share of taxes and we are asking that our voices be heard in this matter!

Yours truly,

JAMES W. HARRISON.
LAURA M. HARRISON.
GAY L. HARRISON.

LONG BEACH, CALIF.,
February 19, 1968.

Mr. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
House of Representatives, Washington, D.C.

DEAR SIR: We are writing to you in formal protest in regard to the proposed overseas travelers tax. Any such tax in our opinion would certainly be discriminatory and unjust, and may even be unconstitutional. We feel that it is against the American Principle of free and unrestricted movement.