degree at least, perhaps to a significant degree, there will be boomerang effects created by the controls on tourist expenditures. There can be no question but that these restrictions, if they work, will have an effect on the economies of foreign countries. There can be no question that these restrictions, if they work, will affect the capability of those countries to buy U.S. exports even if they are in a trade surplus position.

In general, the policymakers, with reference to the direct investment controls and to some degree at least also as to the controls on tourist expenditures, have not thought through on the counterproductive effects which will flow from these controls. They apparently live and think in a dream world that involves artificial separation of trade from capital flows into direct investment abroad. The two are inextricably related.

PHILOSOPHY AND CHARACTERISTICS OF THE ADMINISTRATION'S APPROACH

Let us first turn to the philosophy governing the administration's approach to the balance-of-payments difficulty which has worsened in recent months and examine the characteristics of that approach. Essentially the administration has taken a "controlist" and negative approach to the problem. For all practical purposes, the "new" program consists only of *controls*, principally in the area of foreign direct investment abroad and also in respect to tourist travel and expenditures.

Focus on controls—absence of incentives.—Although the President in his message on January 1 attempted to describe a more rounded program including certain incentives to exports and certain incentives that might be offered to induce repatriation of accumulated earnings, and although the special representative to the President for trade policy, Ambassador Roth, in hearings before the Ways and Means Committee referred to some negotiations with foreign Governments on nontariff barriers and tax rebates on exports, there is no current implementation of these noncontrol aspects. As developed in more detail later, the export assistance planks referred to by the President have been pending for years. The President's program now before the Congress consists solely of tourism controls; moreover, when and if the negotiations with foreign countries on nontariff barriers will produce anything in the way of substantial results is purely conjectural. This is hardly an approach involving a proper balance between punishing controls and incentives. Thus it is fair to say that the private sector, principally the business community, and the individual citizen who wishes to travel abroad are being asked to carry the principal burden of the program. We shall develop that this is paradoxical, at least as far as the business community is concerned, because the private sector has been the substantial plus factor in our balance-of-payments situation.

Absence of long-range view.—In addition to this fundamental aspect of the administration's approach toward the balance-of-payments difficulty, the action program that has been outlined is essentially short range in its objectives although lipservice is paid to the long range. The administration itself concedes the very salutary effects