

We do not accept the proposition that the 10-percent surcharge is necessarily the keystone of a program of correction of deficiencies and fallacies in our domestic economic policy. On the contrary, we believe that the weight of Government action in this area should be placed on substantial, very substantial, reductions in nonessential Government expenditures. We do not believe that the administration has gone far enough in this direction and we sympathize with the attitude of the Ways and Means Committee as reflected in its deliberations thus far which seem to conclude that:

First, a clear and unmistakable economic case must be made in terms of business conditions in the United States for a tax increase; and, second, that even with such an economic case persuasively made any tax surcharge must be conditioned upon a substantial decrease in nonessential Government expenditures.

The institute feels that a much more substantial reduction in nonessential Government expenditures must be promptly undertaken. If a tax surcharge is enacted, it is to be hoped that expenditure reductions would at least equal revenue from the tax increase.

In brief retrospect, the exports of the United States have been maintained at a remarkable level when one considers the disadvantage at which U.S. exporters are placed by domestic economic policies which include high-wage policy, inflationary fiscal policies, and an inescapable subordination of international commercial policies. As previously indicated, until the administration sought a new argument for its surcharge proposal and pressed for the tax surcharge as the centerpiece of its balance-of-payments program, the general posture of the Federal Government has apparently been to consider the domestic economy in isolation from international economic commercial considerations.

3. *Prompt implementation of export expansion proposals.*—The President's program, as outlined in his message of January 1, includes a number of recommendations affecting export financing, including a special \$500 million fund for liberalized export insurance and export credit guarantee facilities, and prompt development of improved rediscount facilities. In addition, intensified export promotion activities under the aegis of the Department of Commerce was proposed.

All of these ideas, all of these recommendations, have been urged upon Government by business for a number of years. They have not been dynamically implemented, in some respects they have not been implemented at all. One is entitled to ask whether there is an element of window dressing in the current revival of these proposals.

The President's message acknowledged that the United States was at a disadvantage because of the practice of foreign countries, permitted under GATT, to provide export rebates of indirect domestic taxes. The testimony of Ambassador Roth before the Ways and Means Committee is not reassuring as to the likelihood of early action for improvement in this area. This problem has existed for a decade or more. The fact that nothing has been done about it is unmistakable evidence that the Federal Government has not attacked the balance-of-payments problem on a consistent, hard-hitting, long-range basis. On the contrary, when an aggravation occurs it is dealt with on an ad hoc, panic basis.