little or no effect on amounts spent by the wealthy. This point was forcefully expressed by an executive of a travel agency, quoted in the Wall Street Journal for February 6, 1968, who said:

> It's not going to deter the Jet Set . . . They'll pay the tax. If you've got $1,000 a day income, what's the difference?

If the sole effect of the tax on the wealthy is to increase their contributions to the U.S. Treasury, it will have failed to accomplish its purpose. The objective is not to raise revenue, but to deter excessive tourist spending.

While administrative difficulties will beset any attempt to restrain tourist spending, we believe a search should be made for alternatives to the administration proposal that would be both more likely to achieve the intended purpose and more evenhanded in their impact upon individuals at different income levels. One device that deserves consideration is setting a reasonable flat limit on the amount permitted to be spent per day abroad, with fines heavy enough to hurt (perhaps expressed as percentages of the traveler's total annual income) for each day spent on any trip during which the average daily amount spent exceeded the the limit. The flat limit would apply equitably to all, while the severe penaltlies involved would help to deter evasion. In a democratic society, the need to restrain tourist spending does not remove the requirement that any form of restraint must apply equitably to all citizens, regardless of income.

The details of measures applied to reduce the payments deficit, however, are far less important than a clear understanding, by the public and in Government circles, that the deficit need not and should not inhibit us in the pursuit of our national goals. The strength of the dollar depends upon the strength of the American economy. People and governments all over the world will continue to want dollars—whether or not exchangeable for gold—so long as those dollars will buy American goods and services. This does not mean that we are free of any necessity to seek to maintain reasonable price stability. Avoidance of inflation is desirable for reasons more important than the payments balance. But we should not forget that the record of U.S. prices compared with those of other countries shows that the dollar is a better store of value than any other important national currency—and, in most cases, by a wide margin.

We learned during the past 7 years that the sacrifices of wealth and jobs and the welfare of our people made during the 1950's in misguided efforts to avoid deficits in the Government budget were wholly unnecessary. It is time now that we learn the same lesson about the payments deficit.

The Council's Negative Policies

The fixing of national priorities is essential if we are to make an effective attack on our pressing problems. Yet the fixing of priorities will not by itself assure rapid progress toward our goals. For that we need positive policies directed toward maximum sustainable growth. Although much can be accomplished by reallocation of existing resources in accordance with national priorities, vigorous growth provides additional resources with which to attack priority needs. But growth cannot be sustained if income imbalances are permitted to arise which cause misallocation of resources and the generation of