reduce the growing tourist deficit. While that deficit is running somewhat below the 1967 level (when Canada's "Expo '67" attracted an unusually large number of American visitors) the underlying trend of increased net outflows is likely to continue far into the future. Gross expenditures of American tourists are approaching $4 billion per year, not much less than total military expenditures abroad.

The continued increase in foreign purchases of American securities has been a particularly favorable factor this year. This result is in part attributable to the efforts set in motion by a Presidential Task Force Report in 1964 on Promoting Foreign Investment in United States Corporate Securities. The increase in these purchases in the first three quarters of 1968 over the same period a year ago was about $800 million (excluding a large capital input by a foreign firm into its American subsidiary).

While part of this increased investment was influenced by political disturbances abroad, it must be borne in mind this trend started long before the events of May in France or the invasion of Czechoslovakia in August. Indeed, reflecting the continued high preference for the dollar, the level of net foreign purchases of portfolio equity securities actually accelerated between November 1967 and February 1968. After the gold crisis in early March, the level of inflow continued to increase substantially.

The Foreign Direct Investment Program of the Department of Commerce has progressed favorably toward its goal of a $1 billion reduction between 1967 and 1968 in direct investment subject to the program. In the first three quarters of this year, utilization of funds borrowed abroad has been several times greater than in the corresponding period of last year and remitted earnings from direct investment were running 14 percent above the level of the same period a year ago. At the same time the program would not appear to be interfering in any serious degree with overseas plant and equipment expenditures by American firms.

The 1968 goal of the Voluntary Credit Restraint Program of the Federal Reserve Board is to achieve a $500 million improvement in our balance of payments from a reduction of loans to foreign borrowers by United States banks and other financial institutions. This target seems likely to be exceeded on the basis of performance in the first ten months of this year.

The programmed $500 million reduction in net government expenditures outside the United States will probably be exceeded. Special financial arrangements to reduce or offset our military expenditures abroad are proceeding satisfactorily, particularly in the NATO-European area. The Agency for International Development is reducing its cash transfer below last year's level and is striving