Senator DOUGLAS. I have said you would be dubious about that.

Senator BUSH. It seems to me that interest rates are a reflection of the business situation and not a cause of it, you might say, one way or another. If business is good, interest rates are apt to go up. I think history would show that they do not inhibit the expansion of business. Many of our greatest periods of expansion in this country have come when high interest rates prevailed throughout the period. I think particularly of the 1920's, when for that whole decade we had relatively high interest rates. Certainly they did not inhibit a very broad and deep expansion of our economy at that time.

I would like to ask our friends from McGraw-Hill particularly this question: What effect do you think a tax cut at the present time, of the nature that is being discussed, something of the order of $5 to $6 billion, would have on busines confidence generally? I am not talking about the consumer now as Mr. Katona was, but I am talking about the people that are responsible for the management of the great reservoirs of savings of our people and of the great funds that are at the disposal of the companies, large and small, upon which so much depends, especially the direction we are going to go with the national economy.

In other words, these people have the decisions to make, as you pointed out in your testimony. What is your judgment regarding the effect, Mr. Greenwald, of a tax cut now upon business confidence generally?

Mr. GREENWALD. I think it would act as a stimulant.

Senator BUSH. On confidence?

Mr. GREENWALD. Especially on confidence, sir. However, I would like to point out that at this time I don't see any necessity for a tax cut.

Senator BUSH. I gathered that from your testimony. You think while there is no necessity for it, still it would have an increasing effect upon business confidence?

Mr. GREENWALD. I think it would.

Senator BUSH. How do you reconcile those two points of view?

Mr. GREENWALD. I say that I don't think it is necessary at this time, because I think we have a very high level economy. I think our rate of growth, and we can get into the numbers game on the rate of growth in any direction, shape or form you would want to take it. However, if we go back to the end of the war and start from 1947, the rate of growth of the United States has been roughly 3.65 percent per year at a compounded rate. I think this is a good rate of growth. I don't believe that we should have to worry about 4, 5, or 6 percent rate of growth. If you consider where we are today, it seems to me that is a high-level economy.

I think if we were to talk about our strengths rather than our weaknesses, we would probably be better off. I think tax reform would help the confidence of business because this would mean there would be more incentive for them. Businessmen are looking for profits. Profits are important. I think there has been a profit squeeze despite the fact that profits are relatively high. I believe that if businessmen were told that the profit squeeze is going to be eased, that, profits will be better after taxes, then I think there is more incentive for the businessman. This develops confidence.