position. Actually, some easing would be helpful to the economy, especially in the long-term section of the market.

I welcome that.

Dr. Saulnier, you discuss your proposal to lower corporation income tax rates, and I am chairman of the Subcommittee on Small Business in the Senate Banking Committee and am interested in your assertion that, quite apart from other effects, these tax changes would be tremendously helpful to our 4 million small- and medium-sized business concerns.

I presume that you are proposing a 5 point cut in the basic tax, not in the surtax, the 30 percent.

Mr. Saulnier. I would reduce the tax from 52 percent to 47 percent.

Senator Proxmire. Right; but this is made up of two parts, the 30-percent basic tax and the 22-percent surtax.

Mr. Saulnier. Yes.

Senator Proxmire. I presume you are proposing a cut in the 30-percent basic tax by 5 points.

Mr. Saulnier. Yes.

Senator Proxmire. Even this would give very little help as I see it to small business. In the first place, some 75 percent or more of our businesses are not incorporated, and these unincorporated firms are virtually all small. No. 2, of those that are incorporated, about 40 percent, 339,000, have no taxable income. These are overwhelmingly small firms. Of those corporations that do have a taxable income, most have a taxable income of less than $5,000, and therefore their maximum benefit from your tax cut would be $250 per firm, so that on this basis I cannot see that 90 percent or 95 percent of small business would get very much benefit from the corporation income tax, although I think it may have merit on other scores.

Mr. Saulnier. I could not cite a figure for you now, Senator Proxmire, but there are many hundreds of thousands of small businesses in this country, small- and medium-sized businesses, organized as corporations, paying a corporation income tax.

Senator Proxmire. The figure I have for 1958—I presume there are more now—was 611,000, of whom 507,000 had an income of under $25,000, and their income represented only 7 percent of the total corporate income. There are 85 percent of the corporations with 7 percent of the income that is taxable.

Mr. Saulnier. Yes. I was speaking here with special concern for the fact that small- and medium-size companies by and large finance themselves. They grow out of the money they make themselves, whether they are organized, Senator Proxmire, as a corporation and are retaining corporate income, or whether they are organized as a partnership or a proprietorship——

Senator Proxmire. On this I agree with you 100 percent.

Mr. Saulnier. And are taking their income as individual income.

Senator Proxmire. The Butters and Lintner study at the Harvard Business School, for example, showed that if firms 40 or 50 years ago had the kind of corporate income tax rates we have now, none of the big firms could possibly have grown to the size they have. You would have no chance to grow through investment, through what has been the traditional way. I would agree with you on individual firm growth, but I cannot see that the individual small businessmen,