You buy a piece of property from somebody because your income is very large. You set up a mortgage by which you can pay the thing off progressively. It is all covered. And then you take depreciation on the property against your other income.

There are all kinds of schemes like that. You could cut down the business expense allowance that Senator Douglas has talked about. I think there would be no trouble at all of putting a limitation on businessmen's expenses if you at least gave the businessman an incentive to save on expenses.

A law partner or an accountant is in the 60- or 70-percent bracket; he does not want to save on his expenses. He wants them to go up because this is the way to increase his standard of living. But if you said you can have half of what you don't spend, at least you have a chance to say, "Look, $25 a day is enough." We came down here and we were told the limit we had was $15 a day. That might be a little too little for a businessman.

The tax structure is tilted to prevent people from going out and doing things. I think you can get some of this money back by changes of various sorts.

Senator PROXMIRE. I would agree that we have to plug lots of loopholes. We would lose less than $400 million by reducing the top bracket from 91 to 65 percent. There is a lot of sentiment in Congress for it. I think there is a real possibility we might achieve it.

But even still as I look at your arithmetic, there is a $6 billion corporate tax cut and a $12 billion individual tax cut if you go from 20 to 16 percent and everybody else the same way. Most of that loss is in the lowest bracket.

As I say, it sounds very unlikely we can really cut expenditures. I have introduced amendments to do so, too. I think there may be an inconsistency here if you indicate that we cannot solve this problem by deficits and we have to be concerned about them. If we can have an $18 billion tax cut, even given a good multiplier and better tax collection, I do not see how we can avoid an immense deficit.

Mr. LIVINGSTON. There is a difference in concepts there, Senator. What I said is we cannot solve this problem by deficits. That is right; I still think so. Because every time you have a deficit you do tend to inflate the economic structure. You push up costs. When you push up costs with an inflexible price ceiling and a low rate of profit, you deter the incentive to innovate and experiment on the part of businessmen.

I am not trying to defend the businessman's rate of profit per se. As a matter of fact, just before the meeting started, Mr. Ruttenberg said, "Are you trying to agree with the NAM?" and I said, "Just as a stopped clock is right twice a day, so the cycle has swung around so that the NAM is finally right."

Mr. HAGEDORN. I think our record is a little better than that.

Mr. RUTTENBERG. I don't think it is even that good, George.

Mr. LIVINGSTON. I am not sure whether going down from 20 to 16 is right or going down from 20 to 18 is right. Obviously there has to be some measure of wisdom and common sense in doing this and working out the figures.

These were put down as goals, as something to strive for, and if the theory of the present mystique among economists is correct that