

made an adjustment and used a 15½-percent figure which is about in between the 17.2 percent for 1965 and the 14.1 percent which proved to be the case in 1966.

The CHAIRMAN. Mr. Secretary, all of this adds up to the fact that your estimates for fiscal year 1968 were developed with the feedback you referred to. What was that figure, \$116.9 billion?

Secretary FOWLER. 116.9; yes, sir.

The CHAIRMAN. And in the fiscal year just ended our revenues actually were \$115.8 billion.

Secretary FOWLER. That is correct, sir.

The CHAIRMAN. We have an increase there of \$1.1 billion in revenues without any adjustments in the tax structure.

Secretary FOWLER. That is right.

The CHAIRMAN. We recognize that in the 1967 fiscal year as a result of the speedup of corporate taxpayments we really borrowed money for 1967 that would have been paid in 1968 without that action.

Secretary FOWLER. That is right, sir.

The CHAIRMAN. Normally, however, our revenues have risen at a higher pace in the past few years than is indicated here by this \$1.1 billion difference, plus the allowance for the amount that we took from 1968 into 1967 fiscal year.

How do we explain that?

Secretary FOWLER. Because, as Chairman Ackley has outlined and as we have discussed, the very, very rapid rate in increase in corporate profits which marked the previous years and the resulting yield in revenues will not characterize calendar year 1967. We have already agreed that the \$83 billion is no longer an appropriate estimate and in the light of the downturn in corporate profits in the first quarter we are revising our corporate profit figures accordingly. So we have two very substantial factors reducing the rapid movement of increasing revenues from the corporate side—one, the loss of the impact of the acceleration that I think is in excess of \$4 billion, and the reduction in corporate profits before taxes.

Instead of an increase in corporate profits before taxes which has characterized the previous years we are now confronted by a reduction in corporate profits before taxes.

The CHAIRMAN. And in spite of that fact you think it advisable that taxes be increased?

Secretary FOWLER. Yes, sir; because of the general economic outlook that we have ahead in the terms that Chairman Ackley has indicated, and because the alternative that I see of not doing this and of depending entirely on borrowed funds to meet this deficit would entail risks for the economy and the financial affairs of the country that would be unacceptable.

The CHAIRMAN. Mr. Director, let me address a question to you if I may. As I understood your presentation, the outer limits of your estimates of expenditures out of the general fund of the Treasury would now be \$143.5 billion?

Mr. SCHULTZE. Correct, sir, plus—if that occurred—some additional allowance for interest.

The CHAIRMAN. I understand. There would have to be added to that figure the \$700 million.

Mr. SCHULTZE. Correct; yes, sir.