Secretary Fowler. That is right.

Mr. Curtis. And the other factor is the tax base, which is our economic activity, and we can see just from this little downturn our failure to move forward what can happen to revenue estimates there.

Secretary Fowler. I think the corporate one is very meaningful. I wouldn't count the $300 million because of the lower personal income than projected 6 months ago as being significant—I think that was the accompaniment of the inventory readjustment that has gone faster in the first 6 months than we calculated.

Mr. Curtis. What about estate tax?

Secretary Fowler. That is $100 million.

Mr. Curtis. You listed a group of these items and miscellaneous.

Secretary Fowler. $200 million on estate and gift taxes and customs.

Mr. Curtis. But don't you relate these to the base, the economic activity in the society? I remember we used to—and still do—use a sort of rule of thumb that for every $4 to $6 billion GNP increase, we could count on about a billion dollars' additional revenue.

Secretary Fowler. That is that marginal rate problem.

Mr. Curtis. I am going to get to that. Nonetheless, it demonstrates the basic point that tax revenues depend upon rate and base and if the rate of any tax is too high you can cut in on the base. This puts us at a point of diminishing returns.

I felt in 1964 we were clearly there. I think we still are there. I think that we could embark upon a program of tax rate reduction, Federal income tax rate reduction, for the next 20 years and probably end up on a gradual basis of cutting back with more revenue by increasing the base, provided——

Secretary Fowler. I have said the same thing, Mr. Curtis, on recent occasions and I agree with you on that principle.

Mr. Curtis (continuing). Provided we don't cut a way through the impact of high interest rates and inflation in this process.

Secretary Fowler. You and I have the same philosophy and point of view on that.

Mr. Curtis. I know we share a common view on a number of things, as much as we have differed on and probably do on this present economic picture. This is what is worrying a lot of us, as to what we can expect.

I still think that if we could get Federal expenditures down we could get more revenue by increasing or decreasing the tax base rather than the other way around, but certainly believing in that theory we have to study very carefully what the converse would be of increasing these tax rates at this particular time.

This could have a deleterious economic impact.

Secretary Fowler. Mr. Curtis, we did not recommend that the rate be increased as of January 1 in response to just that feeling that there is a time and a season for everything and we think that the time and the season was not appropriate for a tax increase in January, but that the time and season now in mid-August is appropriate for us to consider it.

Mr. Curtis. I agree with time and season, but I want to get these other questions first. The area where there is discipline is in expendi-