tially, but not so great as to impair the economy. We should not try to make up by a rise in taxes that part of the deficit which results from the present economic slowdown. Such a course would be self-defeating.

(*d*) During the period of any temporary tax increase, no fundamental changes in the tax structure should be made.

(*e*) Any tax increase should take the form of a one-year surcharge of a common fixed percentage on all net liabilities for personal and corporate income taxes.

(3) In undertaking such a program, Congress should make a firm declaration of its intention to halt the excessive growth of federal spending and to be guided, in both appropriations and substantive legislation, by that objective. This will help create confidence that any tax increase if enacted will in fact be temporary, and thus minimize its adverse impact on the economy. The absence of assurance on this point would create the fear that such a tax increase is only the first of a series.

At the time of its enactment, the 1964 tax reduction was hailed as a clear indication that henceforth the Nation would seek to grow by expansion of the private economy rather than by expansion of government. The NAM Taxation Committee is convinced that this is still the wish of the American people. The program recommended above is designed to get us back on that track as quickly as possible.

If the economy continues to maintain its growth trend of the 1960's, the over-all gain of federal revenues should approach \$8-\$10 billion per year. There are many indications that this revenue gain may be appropriated for expansion of existing programs and adoption of new programs. Taxpayers, who bear the cost of government and to whom the government turns when revenue emergencies arise, should insist that in the disposition of the expected revenue gain, absolute priority be accorded to tax rate reduction when the present emergency is over.

The CHAIRMAN. We thank you, Mr. Gullander. Are there any questions of Mr. Gullander?

Mr. BYRNES. Mr. Chairman.

The CHAIRMAN. Mr. Byrnes.

Mr. BYRNES. I want to compliment you on a very fine statement, Mr. Gullander. There is one thing that concerns me. You point out that we must be determined to curtail Government spending. If we provide a tax increase without the assurance of Government spending being cut, don't we remove the pressure that a deficit exerts toward expenditure control?

Mr. GULLANDER. Mr. Byrnes, I think we cover that in the sense that we recommend you have only a 1-year tax increase, which leaves the pressure. Second, we are influenced by the magnitude of the deficit which would have an inflationary effect.

And third, part of the pressure on Congress to spend more money than it has comes from people back home and a tax increase would have the effect of at least of making your constituents realize that if you overspend it starts hurting their pocketbook and not just the person buying Government bonds.

Mr. BYRNES. I think you point up the dilemma that some of us face. Unfortunately there are some individuals who are not concerned about the \$29 billion deficit. Assume we reduce the deficit to \$22 billion by a \$7-billion tax increase. Since the \$29 billion doesn't seem to bother some people, they may advocate moving right back up to \$29 billion again.

Mr. GULLANDER. Hasn't the administration, however, put its name on the line here in saying to the American public, "You give me \$7½ billion in increased revenue and we will find \$7½ billion to cut out of the expenditure side"?

Now, the administration is going to have to be judged on the basis of whether that is achieved.