

It should be the same for corporations as well as individuals.

Mr. BURKE. There is a question here about what contributed to the deficit. I think we have to be a little bit honest about it that Congress did enact over \$16 billion in tax cuts between the corporations, large and small, the individual income tax, the 7-percent investment tax credit, and the repeal of most of the excise taxes. Despite the fact that some of our friends are talking about the mess we are in, there has been a bonus to the taxpayers during the past 4 years.

Mr. GULLANDER. One of the economic facts of life we learned as a result of the 1964 tax decrease was when you put more stimulus to invest and to expand and to run risks in business, you expand the economy and actually this Government got greater revenue in the form of taxes under the lower rates than I think it would have gotten under the higher rates, so making a mathematical calculation in saying what the income tax take would have been at a 52-percent rate rather than the 48-percent rate is purely that, just a mathematical calculation. It is not in keeping with the facts because the economy would not have moved and rolled forward as rapidly as it did under a 52-percent tax as it did under the 48-percent tax rate.

You ask Mr. Fowler and he will give you the same answer.

Mr. BURKE. It might be possible to secure an increase in revenue by reducing the taxes instead of increasing them.

Mr. GULLANDER. Looking ahead to 1969, 1970, 1971, if we get some control over Government spending and restore the tax rates to what they are today, you should have enough growth in the economy to produce added Federal revenue to eliminate the deficit in a very few years; but if we start boosting higher and higher tax rates in order to balance the budget and just keep on spending more money you are never going to get this thing in balance because you will slow down the growth of the economy.

It is really the same problem that a manufacturer has who can maybe make more money selling his product at 15 cents a unit than at 20 cents a unit because of the added volume he gets and the reduction in costs he achieves.

Mr. BURKE. Thank you.

The CHAIRMAN. Mr. Schneebeli.

Mr. SCHNEEBELI. Mr. Gullander, the automotive industry is faced with a problem in a couple of weeks in the labor area and we hear some dire predictions that it is going to be a long and costly strike.

Now, in the event that this strike eventuates and lasts more than 3 or 4 weeks and causes a severe economic dislocation, what would be the recommendation of your association relative to the surcharge?

Would it change its attitude in the event there was a long strike and dislocation? Would that have any influence?

Mr. GULLANDER. Let me say I think you have to anticipate if that doesn't happen something else will very likely happen so it will have a bearing. Hitting your specific question, I think this has a great bearing on what tax rate you apply.

As we said, we think you should have a surtax, but it should be at a rate which will not slow down the economy. What you are talking about would justify a move not in the direction of 10 percent, but in the direction of 6 percent because it would have less effect on the economy in total.