

Ultimately it is because the country grows every year. You have to lay out priorities every year. That is why we are getting behind a million dollars every 4 minutes, because we said we can do more than than we can do.

If you increase taxes you slow down the economy and we don't benefit, anyway, if you slow it down with a surtax that is too excessive.

Mr. GILBERT. Wouldn't you think then we should eliminate the surcharge for the people in the low brackets rather than your statement that everybody be taxed?

Mr. GULLANDER. There are two aspects to this. One is at the time of the tax reduction in 1964 the people in lower brackets got about a 35-percent reduction in taxes, and I think this was fine. Corporations got about 8 percent and the people in upper brackets got less.

It averaged out to about 20 percent for individuals. If the tax structure as it exists today is an equitable one, then the surtax should apply to everybody so everybody continues to bear his proportionate share of taxes.

The other consideration is, as I mentioned before, there are 16 million people who ought to recognize through their pocketbook that if the Government is going to do all these things someone is going to have to pay for it.

If you say we can do all these things then you must realize they cannot be done within a balanced budget and you can't go very far with a \$28-billion deficit. To eliminate the deficit by a tax increase you would have to have a 50-percent tax increase. If you have a 50-percent surtax you could have people paying more taxes than they have income, and this would destroy the economy, as you all recognize.

We are obviously trying to do more than we can afford because it would require an increase in taxes of 50 percent to pay our way.

Mr. GILBERT. Thank you, sir.

The CHAIRMAN. Any further questions? Mr. Conable.

Mr. CONABLE. Mr. Gullander, we hear there is some conflict in economic theory, at least according to Dr. Gardner Ackley who was here last week, about the extent to which it is necessary for corporations in periods of fairly tight profit margins, or at least declining profit margins, to pass on a corporate surtax to the individual consumers in the country.

With about 75 percent of the goods and services in the country being furnished by corporations, isn't it likely that a corporate surtax is going to go to augment the burden on the individual workingman who is also having to pay an individual surtax? Do you have any idea to what extent the corporate surtax is going to be passed on in the present state of our economy?

Mr. GULLANDER. The answer to your last question I am afraid has to be no, but I can discuss it a bit. This is going to vary by product, by company, by markets.

Mr. CONABLE. But it is a general surtax.

Mr. GULLANDER. This is right.

Mr. CONABLE. It affects all corporations. Therefore, the competitive factor is not going to be the same as it might be with the—

Mr. GULLANDER. It isn't a surtax on the Japanese, and the Germans, and French, and in the textile industry, for example, we have substantial imports and in steel we have substantial imports. This