Mr. Bullen. We do not feel that this strong opposition to a tax increase on the part of the small business community should in any way be misconstrued or labeled a "lack of patriotism." We do feel that it is an honest expression of economic reality as seen by this country's small businessmen. They have not been convinced that we can enjoy a guns-and-butter economy.

Nor does their vote against a tax increase constitute an outlook of fiscal irresponsibility. Believe me, gentlemen, when I say that the local businessman is among the first to realize the pitfalls and economic chaos resulting from inflationary trends.

When the prime interest rate rises to 6 percent, it is the small businessman who must pay 7, or 8 percent, or more.

The President, in his August 3 message, predicts dire consequences if this tax increase is not approved. Among his predictions are spiraling inflation, higher interests rates, and tight money.

Mr. Chairman, the federation submits that the business community is already experiencing these problems. We hear daily of increasing payroll costs, higher wages, greater fringe benefits, high interest rates, and general tight money situations. Minimum wages continue to be driven upward, not by market conditions, but by social pressures and the dictates of organized labor.

As the trend continues, we see a slowing economy, rising inventories, a slowup in collections, increasing automation resulting in lesser employment. As a matter of fact, unemployment among the lesser skilled, the youths, the handicapped and the aged seems to rise proportionately with rising business costs.

That corporate profits are already declining is not news to the administration. Although we have barely gotten into fiscal 1968, the administration has admitted that these lower corporate profits will be yielding $1.3 billion less in tax revenues than had been anticipated 6 months before.

Surely adding a 10-percent surtax to taxes already paid by corporations, both large and small, is hardly the way to stimulate a vigorous business outlook and could well prove disastrous should business decide to reduce productivity and employment—thus resulting in still lower corporate profits and an even smaller tax yield.

We believe that the administration must first win the confidence of the small business community and the Nation by severely reducing nonessential expenditures before it can expect to ask for and receive wholehearted support in a venture such as is proposed in the President's tax message.

Unless some drastic measures are taken to curtail nondefense spending, the small business community will not be convinced.

So long as Federal tax dollars are being spent on the war on poverty to establish tax free cooperatives which compete with existing business, they will not be convinced.

So long as priorities have not been assigned to the war in Vietnam, antipoverty, space, air, and water pollution, slum clearance, and foreign aid, they will not be convinced.

Mr. Chairman, the members of the National Federation of Independent Business have made it abundantly clear that they are opposed to this proposed surtax. We feel that the crux of their opposition lies in the fact that they are firmly convinced that our economy will not support both a guns and butter doctrine on an equal basis.