The surcharge is proposed as a means of combating inflationary pressures on the economy, checking the rise in interest rates, relieving the tightness of money and averting an unequal and unjust distribution of the cost of the war in Vietnam.

We are not in a position at Westinghouse to judge the state of the budget as presented by the President, but if the President and the Congress are unable to reduce expenditures we agree that the projected deficit without a tax increase is potentially dangerous for the economy.

If taxes have to be increased, we want to be sure that the Congress has before it and takes into account considerations which we feel are germane and important to the decision as to how and when taxes should be increased.

PRESENT ACTION SHOULD NOT NEGATE RESTORATION OF INVESTMENT CREDIT

We approve of the action taken by the administration and the Congress earlier this year in restoring the investment credit. This timely action, by stimulating modernization and expansion of capacity, will help to avert inflation. We commend the administration and the Congress for this action and urge that no action be taken now which would negate the beneficial effects of the restoration of the investment credit.

PRESENT ACTION SHOULD NOT BE TAKEN IN THE PERSPECTIVE OF OTHER ACTIONS ALREADY TAKEN

Consideration of appropriate action at this time must also be placed in the perspective of other actions already taken affecting the tax payments of corporations in 1966 and 1967.

CORPORATIONS PAID ADDITIONAL TAXES OF $4 BILLION IN 1966 AND $7 BILLION IN 1967

As a result of the acceleration of estimated payments under the 1964 Revenue Act, the Tax Adjustment Act of 1966, and the administrative acceleration in 1966 of the payment date for withheld taxes, corporations have paid to the Federal Government in the fiscal year 1966 $4 billion in additional taxes, about 15 percent of their taxes otherwise payable.

In the fiscal year 1967 these actions increased corporate tax payments by $7 billion. Had this increase for 1967 taken the form of a temporary increase in the corporate income tax rate the effect on the cash flow of corporations should have been precisely the same, but to produce the same increase in tax payments the corporate rate would have had to be increased to about 60 percent from the prevailing rate of 48 percent.

If such an increase in the corporate tax rate had been enacted I think most people would agree that corporations were making a disproportionate contribution to increased fiscal needs. Corporations have made this contribution, unfortunately, for purposes of general recognition, in an obscured and less visible way than through a rate increase. But it has produced an identical reduction of the cash of corporations.

Considered in another way, the $7 billion increase in the fiscal year