

The dangers of tight money, very high interest rates, and an unbalanced economic advance are real and tangible. A tax increase is needed to reduce these dangers and to provide our Armed Forces in Vietnam with as much of the best equipment as they need to achieve an honorable settlement of the conflict.

THE SURTAX RATE ON CORPORATIONS SHOULD BE SUBSTANTIALLY GREATER
THAN FOR INDIVIDUALS

The record clearly indicates, Mr. Chairman, that the surtax rate on corporations should be much greater than on individuals. There is no justification for applying the same surtax rate on both corporations and families, as the administration proposes.

Only within the past several months, the Congress restored, at the administration's request, the 7-percent tax credit on business investment in new equipment. This early restoration was also more lavish than the original credit.

The restored 7-percent tax credit is worth about \$2 billion to corporations over a full year. It is the equivalent of a \$2 billion tax cut on corporate income.

However, this special action to reduce corporate taxes was not accompanied by any action, whatsoever, to reduce taxes on American families.

We are fully aware, Mr. Chairman, of the talk about declining profits and a profit squeeze. Corporate profits did decline a bit toward the end of last year and in early 1967, as business activity leveled off. However, the decline was small and it was from very great heights. In addition, profits are rising again, with the economic pickup.

Let us look at the record of rising incomes for various groups in the economy between 1960 and the first half of 1967:

Corporate profits after payments of taxes skyrocketed 74½ percent.

Dividend payments to stockholders soared almost 69½ percent.

Total wage and salary payments to all employees in the entire economy increased only 54 percent—reflecting increased employment as well as the wage and salary gains of individual workers.

Total after-tax personal income in the entire economy rose merely 53 percent.

Weekly after-tax take-home pay of a factory worker, with three dependents increased only 24 percent—and, in terms of buying power, merely 11 percent.

That is the record of the past 6½ years, Mr. Chairman, even after accounting for the temporary and small profit decline of the recent past. Profits have skyrocketed—moving up, far out of line with workers' wages. In addition, corporations received a special tax cut only a few months ago.

In light of this clear record, we urge the committee to recommend a surtax rate on corporations at least twice as great as on individuals. A 6-percent surtax on individuals should be accompanied by a 12- or 15-percent surtax on corporate tax liabilities. Or an 8 percent surtax rate on individuals should be coupled with a 16 or 20 percent rate on corporations. The surtax rate on corporations should be at least 20 percent if the surtax rate on personal income is 10 percent.