

Throughout this period (and in a measure possibly reflecting also increased tightness in the labor market) there was a steady decline in small business additional job formation. In January 1966, among those small businesses reporting employment levels different from 1 year earlier, the net change reported was +3.5 jobs per respondent. In the following periods, comparable figures were: First quarter +2.7; second quarter +2.5; third quarter +2.2; and fourth quarter +1.8. The figure for January 1967, is +0.9.

Equally, if not more important is the change which has taken place in the mix of respondents reporting their employment the same as, or higher or lower than, 1 year earlier:

Employment	Percentage of respondents reporting each vocation					
	Professional	Retail	Wholesale	Manufacturing	Services	Construction
Higher:						
1967.....	13	13	19	30	15	18
1966.....	20	18	27	36	21	28
Lower:						
1967.....	9	13	15	13	13	24
1966.....	6	8	9	9	10	13
Unchanged:						
1967.....	78	74	64	57	72	58
1966.....	74	74	66	55	69	59

While many factors other than "tight money" are responsible for the current plight of small business, it is interesting to reflect for a moment the description by the Honorable Wright Patman, formerly cochairman of your committee, of how a financial squeeze affects independents. In his print "A Primer on Money," Mr. Patman states that in such climate "(small firms), which would be normally adding to the country's economic growth, not only cannot grow, but must retrench on their inventories, work forces, and so on . . ."

Frankly, we see little in our economic indicators, and in the President's proposals, that will change these trends.

First, Federal spending in fiscal 1968 is planned to be higher than for fiscal 1967. It is proposed, in order to offset the prospective deficit, that there be enacted a 6 percent temporary surtax on business and individual income.

This surtax can but further reduce small business profits already under an intensifying squeeze. At the same time, it seems clear that it will cut into consumer disposable income, with correspondent effects on small business sales volume (which was trending level-down throughout 1966).

Second, adding to this squeeze would be the proposed increase in social security tax rates and the applicable tax base (the cost of which is borne 50 percent by employers) and the proposed increase in unemployment compensation taxes (the cost of which is borne 100 percent by employers).

Third, the council suggests that "private demand is not likely to be particularly buoyant in the first half of 1967" and asserts that "a stimulative stabilization policy is appropriate to support steady expansion during this period." It observes that such stimulus will be supplied by "special costs of Vietnam and further increases in transfer pay-