

Mr. HARRISS. No, neither do I. I do not want to get into discussing housing as such, because, though that presents problems which are directly relevant, they are beyond any reasonable scope within your time here.

First, I cannot emphasize too much that what the Tax Foundation was trying to do was not to say what would be desirable, nor to predict what is going to happen. Rather, the purpose was to try to lay out something about the environment which existing forces would create. You are quite correct, and so is Professor Netzer, that there are elements in past projection experience which cast doubt about the accuracy of assuming a continuation of past trends. Personally, seeing the kinds of pressures that exist in society, I am inclined to agree with you that an increase in governmental sector seems likely to get the support of the general public. But with rising income the need in any real sense to look to growth of the public sector, as contrasted with people acting more freely, such "need" does not exist. I think we have more alternatives in the private sector.

In any case, however, the figures do show that the existing revenue structures will finance a considerable improvement in quality of State and local government functions—maybe not "enough." I do not agree that the last 10 to 20 percentage points of the corporation income tax are not about as bad as any element in the revenue system.

Representative REUSS. I would like to hear—I noticed a paragraph on that in your paper—I would like, if I may, Madam Chairman—

Representative GRIFFITHS. Certainly; go right along.

Representative REUSS. I would like to have you expound on that. I think we have had a complaint and a demurrer on the general issue of projection.

Mr. HARRISS. We are closer in agreement than we are in disagreement.

All taxes are borne by people in one respect or another. A corporation income tax is a tax on people. It is not a tax on some other entity. It is a tax on people as consumers, owners, as employees. It is an extremely high rate by historical standards. The highest rate in the 1930's was only a little over a third of the present 48-percent rate. It is high by international comparison.

Now, assuming that half of it is passed on to the consumer—and this is a difficult assumption—then it takes much more out of the income, of the lowest income group, than do State sales taxes, although this is not true per dollar of revenue.

It may seem to hit General Motors, which has high profits. But it hits the consumers of General Motors' products, which includes about everyone in the country—directly or indirectly—poor people as well as rich people.

The corporation income tax also has allocative effects on the business structure, and on ways of doing business. It seems to me only harmful to the extent that the decisions which businessmen, quite appropriately, take to minimize their taxes, will be second- and third-best decisions. Ten or twenty years from now our economy will be less productive in terms of real output in relation to real input if the 48-percent corporation income tax is continued than if we seek equivalent revenue from other sources, or reduce the growth of governmental expenditures.