Representative REUSS. The Federal corporate income tax now yields nearly $30 billion a year. And you would like to reduce its present take by lowering the bracket by what, $5 billion, $10 billion?

Mr. HARRISS. Let's say 1 percentage point a year of the tax rate for 15 or 20 years.

Representative REUSS. How would you regain that revenue?

Mr. HARRISS. The programed reduction would not start during Vietnam fighting. But as soon as there is any leeway, I would say this is the place to reduce "fiscal drag."

Incidentally, may I also——

Representative REUSS. You would lower corporate taxes and not attempt to regain that revenue for the Federal Government elsewhere?

Mr. HARRISS. As soon as there is any leeway in the budget. As of the moment it is not feasible.

Representative REUSS. Let me put the Keynesian argument to you. As it is now, corporations aren't investing in plant and equipment all the savings the economy is producing. There is an oversaving problem right now. If you diminish the corporate income tax, isn't there going to be simply further oversaving?

Mr. HARRISS. No, I do not think so.

Representative REUSS. And since presumably you are going to cut Government expenditures accordingly, aren't you going to bring on a recession?

Mr. HARRISS. Representative Reuss, this gets into another range of probems. But if I understand you correctly, I do not think so.

Let me take the occasion to mention that we had a big budget surplus in terms of magnitude of the economy in the 1920's without fiscal drag. The Federal Government was a relatively large saver. It retired public debt, and the funds were invested privately.

Representative REUSS. There was a fantastic rate of private capital formation at that time.

Mr. HARRISS. Yes.

Representative REUSS. And there are those who think that in the end it brought on 1929.

Mr. HARRISS. Well, this gets into another set of issues, which are a little beyond us here.

Representative REUSS. But perhaps your colleagues, Mr. Kegan and Mr. Netzer, would care to comment on the specific suggestion that Vietnam apart, the thing to do is to bring about a reduction of the corporate income tax, and not attempt to recoup that revenue elsewhere.

Mr. KEGAN. I don't think it is only the corporation income tax. Even during the Vietnam war I think, given the effects that Professor Harriss notes, as you know the CED has recommended a substitution to the value added tax, and that would help us in our balance-of-payments problems as well, that is, that some of the effects would be dulled. And yet you would still get the revenue; that is, we calculated ways even for increased revenue, instead of increasing the surtax on the corporate tax, moving to the value added. You could, we think, move in that direction.

But Vietnam aside, it seems to me that the way I would like to move more is through the reduction of the personal income tax. But I also