

Mr. BUTLER. I do not know. I engage in production of a service which I think is quite valuable.

I think one can go too far in making this distinction. I mean, I think services can be as valuable as goods, that services we perform overseas bring us, in many cases, very good returns. I have never found this a very useful sort of distinction. I think what you want to produce are the things that contribute to your material well-being and your quality of life, and that many of these are services. I do not find it at all uncomfortable to see the relative production of goods decline while the relative production of services increases.

Again to some extent we are into statistical problems. One can never be quite sure what a goods is as opposed to what a service is. But I do not see any way in which this contributes to our basic, say, balance-of-payments difficulties or other difficulties.

Representative WIDNALL. Hasn't a lot of our trade surplus in the last few years been dependent upon the sale of airplanes?

Mr. BUTLER. Yes.

Representative WIDNALL. The sale of agricultural products, sometimes at subsidized prices?

Mr. BUTLER. Yes.

Representative WIDNALL. As I look at the figures, I am just worried that we seem to be getting ourselves out of the market in more than one field. We just concentrated and depended upon just one or two items for our trade surplus.

Mr. BUTLER. Yes. I think the sale of airplanes is a perfectly competitive deal. We produce better aircraft than other industrial countries. We sell these aircraft for dollars.

Now, we have given away a lot of agricultural products, and we continue to give away some. In looking at our trade surplus, and I think one has to take account of this and in effect take out what we give away from the real surplus, and to the extent that one does not do this, the overall figures can be misleading. A friend of mine in the Agricultural Department said that the problem now is to give it away cheaper than anybody else.

Representative WIDNALL. That is probably true. My time is up.

Chairman PROXMIRE. I would like to ask each of you gentlemen to take a crack at what is my bias perhaps, but one which is, I believe, shared by the overwhelming majority of the American people and by many Members of the Congress; it is that we should not pass the surtax; but I would like to ask you to confine your remarks strictly to the balance of payments. I feel that the argument is especially sharp and clear against the surtax on this issue.

I want to say why. No. 1, the sure and swift impact of a surtax would be to reduce the profitability of American investment. Obviously, if you imposed a surtax on corporations of 10 percent of the present tax, it sharply and directly and immediately cuts their profitability and discourages investment here and encourages investment abroad and results in an outflow of capital.

In the second place, the argument has been made that the one thing the surtax will accomplish—it was made here by Mr. Butler I think and it is often made by bankers—that the one thing the surtax would hope to accomplish would be to reduce our interest rates.