

not fully understood. During World War II when our group made extensive studies of war bonds for the Federal Government, we found that in the opinion of many people the Government could not buy the tanks and planes if the people did not buy war bonds.

In 1946 a substantial proportion of the American people said, "We buy war bonds to bring the boys back home," as if it would be impossible to ship the boys back home from the South Pacific if people would not buy war bonds.

Similar erroneous notions still prevail about taxes and defense expenditures. There are many people who believe that if taxes are not high enough, we can't do our duty in defending the country and in fighting the cold war. I conclude that should a tax cut be enacted, the Government would have an additional task of informing and educating the public about the reasons for its action.

Also, I may add, the Government should sponsor surveys about consumer attitudes toward a tax cut, both if the measure takes effect and if it does not, so as to understand better what is happening in our economy.

Should taxes be reduced now? As said before, people feel uncertain and cautious because they are not aware of any factor that might be capable of stimulating the economy and reducing unemployment. In a tax reduction, I believe, many people would see such a stimulus.

We are not in a recession today, even though the extent of the recovery is far from satisfactory. According to available indications there will be no recession in the consumer sector during the winter of 1962-63. Therefore the argument, let us wait with the tax reduction, is not without merit. But the last few weeks have brought forth a new consideration. Probably very many people have heard about the tax reduction proposals. There is a risk that they would view a decision by Congress not to reduce taxes now as a disappointment. A negative decision about the tax cut might then represent a new factor adding to pessimistic views and making the recurrence of a recession more probable than it has been. What Congress does is important; how the people interpret what Congress does or doesn't do is likewise important.

(The chart and report referred to are as follows:)

Opinions on the advisability of a tax reduction, spring and fall, 1961

[Percent]

Tax reduction	All families ¹	Family income				
		Under \$3,000	\$3,000 to \$4,999	\$5,000 to \$7,499	\$7,500 to \$9,999	\$10,000 and over
A good idea.....	42	53	43	39	32	33
Pro-con.....	6	4	7	6	6	4
A bad idea.....	43	29	44	47	57	55
Don't know, not ascertained..	9	14	6	8	5	8
Total.....	100	100	100	100	100	100
Number of cases.....	2,256	564	462	581	250	282

¹ Includes cases whose income was not ascertained.