

tion of the need that may exist for overcoming temporary deficiencies in consumer demand.

Senator JAVITS. As a matter of fact, you say no decision has been made on the size, composition, and timing of a recommended tax reduction. I call that an agonizing indecisiveness on the part of the President. One of my colleagues took a special exception to that—Senator Proxmire of Wisconsin. What do you call it?

Dr. HELLER. Senator, I am not as good a phrasemaker; but I would like to point out that the President has, after all, taken a decision which I believe represents a decisiveness with respect to tax reduction that has not been seen for many many years. He has said that he will propose a tax reduction effective January 1, 1963. In other words, there is a decision not only to cut taxes, but explicitly to cut corporate and individual income taxes by an across-the-board reduction—and, indeed, a net reduction in the sense that the reduction in rates would not be offset by restoring the base.

Senator JAVITS. Then, are not you giving us the very narrow choice as to whether we shall give the President the power to reduce or whether we shall reduce ourselves. Is not that the choice you are giving us? What you want is the power for the President to reduce. I say we should reduce ourselves. So the choice is do we give the President the power to reduce or do we reduce ourselves?

Dr. HELLER. I think that observation directs itself to a somewhat different problem; namely, the standby tax-cutting authority. The President's request was for authority to cut up to 5 points from the individual income tax rates for a period of 6 months. There, I think, your comment is more directly applicable than to the other point of a more permanent tax cut to take effect on January 1, 1963, which the President is going to propose.

Senator JAVITS. It is fair to say, is it not, that the decision to cut taxes has already been made in the sense that either we will cut them now, or the President is going to recommend some other scheme for cutting them as of January 1.

Dr. HELLER. In that sense, yes, it is.

Senator JAVITS. The decision is made in that regard, is it not, really?

Dr. HELLER. Yes, it is.

Senator JAVITS. Mr. Chairman, may I reserve the balance of my time so I can vote?

Chairman PATMAN. Dr. Heller, I would like to know about the basic premise on which you are proceeding. Is our problem that the rate of savings is too low or the rate of consumption too low?

Dr. HELLER. I think we have to look at two aspects of that. One is the aspect of the question that relates to an underemployed economy where there is a fair amount of slack, in which the primary problem is that the level of total demand is too low.

Chairman PATMAN. How is that related to the present situation?

Dr. HELLER. The level both of consumer demand and investment demand are too low to make full use of the labor, machinery, plant, and equipment that are available in the economy. Our problem at the present time is not an inadequate level of savings.