The Economic Report stated that "if demand falls short on current expectations, more expansionary policies will be pursued." It is clear that the signs were set too high early this year and it is to be hoped that budget planning will be more realistic the next time around.

In closing, I should like to recall to the committee that, when I last appeared before you in December 1960, the economy was in a contraction that was already 6 months old. Nevertheless, many people denied that there was sufficient evidence to justify immediate action to stimulate demand.

It was also said that caution was necessary to avoid unbalancing a budget that was already becoming unbalanced because of the reduction in employment and incomes. And there was a great concern about the inflationary consequences of a vigorous fiscal policy at a time when there were large reserves of idle men and machines waiting to be productively employed.

Although the economy is not in a recession now, our rate of growth continues to be inadequate by any standard and there is very little, if any, steam left in the current expansion. But we are still told not to prejudge the situation; more concern is expressed about the condition of the budget than about the condition of the economy; and we are still warned of the dangers of inflation even though unemployment is high and inflation has long since subsided.

As an economist, I cannot explain the defensive attitude which has gripped the Nation in recent years. I can only express the hope that this committee, which has done such excellent educational work in economic affairs since it was established more than 15 years ago, will help alert the country to the needs of the times.

Chairman PATMAN. Thank you, sir.

I would like to know about the basic premise on which you reach conclusions as to the kind of tax cut which you think we should have. Of course, I know we want to raise the level of savings, the level of investment, the level of income, and the level of consumption, raise all levels, but my question specifically is this: Relative to consumption expenditures as defined in the national income account, are savings too low or too high? How would you, Dr. Eckstein, answer that? Would you say they are too low or to high?

Mr. ECKSTEIN. Sir, in the present short-run context they are obviously too high. Not in the long run.

Chairman PATMAN. What do you say, Dr. McCracken?

Mr. MCCRACKEN. The proportion of income being saved does not seem to me to be greatly out of line with our historical trends.

Chairman PATMAN. Do you consider it too low or too high? Which would you say, if you can answer it categorically.

Mr. MCCRACKEN. They are, I suppose, too low in the sense that obviously we need a step-up in the demand for output, though I do not think this gets very close to the heart of the present problem.

Chairman PATMAN. How would you answer?

Mr. PECHMAN. I agree with Professors Eckstein and McCracken.

Chairman PATMAN. I would like to call your attention to two charts prepared by Dr. Roy Moor of the committee staff. They show how the income which would be made available to individuals under the tax cut would be distributed among the various income brackets under