

the different methods of reducing individual income taxes. The chart on the left is self-explanatory. It shows the average tax reductions. Can you read those figures from where you are? Looking at the additional money that would be made available to individuals having adjusted gross incomes of between nothing and \$5,000, the relatively low income class, we see that the different methods make quite a difference in the amount of money which would go to these individuals.

The figures show the distribution, by class of a \$6 billion overall reduction in taxes. If we split the first income tax bracket, setting up a bracket of between zero and \$1,000, and applied all the cut in that new first bracket, individuals with less than \$5,000 of income would on the average have a net gain of \$75. If we increase the personal income exemption from the present \$600 to \$800, individuals in this group would gain \$76. If we applied all of the tax cut in the present first bracket, individuals in this group would benefit by \$60. If we had an across-the-board cut such as has been frequently suggested, individuals in the lowest income group would benefit by only \$42.

Looking at the families with incomes of over \$50,000 you may notice that the different methods also give different results. If we increase the personal income exemption these individuals would receive an extra \$300 of disposable income, but if we had an across-the-board these individuals would receive an extra \$1,680 of disposable income.

But the chart on the right is probably more significant for our considerations of how a tax cut would affect the economic activity. This shows the percentage increase in the aggregate income of each income class which would be brought about by the different methods.

For example, if we increase the exemption the lowest income receivers would have their disposable incomes increased by 2.8 percent, while the aggregate income going to families with over \$50,000 of income would be increased by six-tenths of 1 percent. To take the other extreme, however, an across-the-board cut, we find that the aggregate incomes in the lowest income group would be increased by only 1½ percent, while aggregate incomes of the group of over \$50,000 would be increased by 3.3 percent—more than twice the rate of the lowest income families.

Would the members of the panel care to comment on whether these different methods of reducing taxes would have important differences in their effect on savings, investment, consumption and overall economic activity? Would you start, Dr. Eckstein?

MR. ECKSTEIN. Of the points to be made in this connection, I think one very obvious point in this: That a \$6 billion tax cut will not accomplish miracles in any event because the increase in income accruing to anybody is only 3 percent, which is not exactly a revolution of the economy.

Second, in general, it is my belief that this kind of an issue—that is, the proper distribution of the tax burden—is largely a noneconomic issue and elected officials are the people properly to pass judgment of this sort. On the effect on saving, what studies have been done on this problem tend to suggest that people in the lower income brackets have somewhat higher spending propensities than the upper brackets, but the total impact of any change in the tax burden can at best make a small contribution to total expansionary policy.