Chairman PATMAN. Thank you, sir.

I will not insist on answers to these at this time. I will put the questions in the record. I wish each one of you would comment on them when you review your transcript and extend your remarks, if you please, or insert anything else that you feel is germane. An across-the-board tax cut would increase disposable incomes of families in the high-income brackets a great deal more than it would for those at the lower end of the scale. If you felt that our basic problem is one of inadequate rate of savings, I could understand this kind of proposal. But if you think that the problem is underconsumption, then I should think you would want to give the largest cuts to the low-income groups, or at least keep things even. In other words, an across-the-board cut would tilt the income distribution in favor of the high-income families. Do you have any distribution by income classes of the percentage of family income going into consumption and the percentage going into savings? I will ask you to submit an answer when you review your transcript.

Next, have you experts made any estimates which would show how much reduction in taxes would be required to produce a given amount of stimuli under each of the alternative methods: raising the exemptions, making the cut in the first income tax bracket and making the cut across the board? This is a question that concerns me. If we had an across-the-board cut in taxes; that is, a cut which would change the income distribution in favor of the top bracket income receivers, would we not have a worse fiscal structure after the period of the deficit is over? In other words, would it not, in the long run, increase the troubles which the tax cut is intended to cure?

With reference to the economy of Western Europe, I think I can see that there are peculiarities in the situation which would enable these economies to operate at full employment even where a large share of income is going into savings and investment. A dynamic rebuilding or reconstructing of the whole European economy is going on. They are building modern plants to replace handicraft plants in anticipation of future consumer demand for the output of those plants. But I wonder, in a situation like ours, if we can have full employment with anything like the percentage of income going to capital in Europe; that is, the high profits and high interest rates of Western Europe.

Could you comment on that? I will ask you to do that when you look at your remarks. But I think those charts make out a convincing case for the tax savings going to the low-income groups. Certainly if our problem is underconsumption, the answer is obvious.

(Information submitted by Otto Eckstein, Harvard University, follows:)

The major studies of the effects of income distribution are the following:

Harold Lubell, "Effects of Income Redistribution on Consumers' Expenditures," American Economic Review, XXXVII (March 1947), 157–70, XXXVII (December 1947), 930.

M. Bronfenbrenner, Taro Yamane, and C. H. Lee, "A Study in Redistribution and Consumption," the Review of Economics and Statistics, XXXVII (May 1955) 149–59.

Alfred H. Conrad, "The Multiplier Effects of Redistributive Public Budgets," the Review of Economics and Statistics, XXXVII (May 1955), 160–73.

Lubell and Bronfenbrenner do not attribute much expansionary effect to changing the income distribution; Conrad comes to a more optimistic conclusion.