

Let us also leave to one side, the point that the construction work required by a public works program takes a bit longer to translate into actual expenditure.

Would you each give me your opinion?

Mr. McCracken. Certainly I would not take any Procrustean view with regard to Federal expenditures or taxes that one is all evil and one is all virtue. It would seem to me that on the "first round" the rise, in Federal expenditures might very well have a slightly more expansive immediate effect than a decline in taxes. With a tax reduction some part of the resulting increase in income would presumably be saved. On the other hand it is not easy to effect an immediate, large upward displacement in the trend of Federal spending.

Representative Reuss. I assume you are comparing the average saving by consumers of 7 to 8 percent of their disposable income with the fact that a million dollars spent in building a school is by definition spent.

Mr. McCracken. In the first round, yes. On the other hand at this stage of the game the evidence is quite clear, to me, that the time has come when we do need some action on the tax side in order to start moving toward a level and structure of taxes that would be somewhat less of a drag on economic expansion and growth secularly, quite apart from the very immediate period.

Mr. Eckstein. Congressman, the total Federal purchases of goods and services outside of defense in 1960 were \$8.6 billion. Of that, a very substantial fraction is agriculture. The rest was defense.

Representative Curtis. Federal?

Mr. Eckstein. Federal goods and services. Only \$8.6 is nonmilitary. And that includes space. To effect a substantial increase in that would be very difficult. The Federal Government simply does not buy that many civilian goods and services to make it an instrument of the same magnitude as a tax change.

Representative Reuss. I suggested some areas of public expenditure where the needs today are very great. However, I am putting to one side the question of whether increased expenditures are politically feasible, socially just, or economically desirable in terms of resource allocation. What I want to know is, would you get the same economic impetus by spending \$6 billion more as you would by taxing \$6 billion less?

Mr. Pechman. I want to agree with the point you are making. The ratio of taxes to expenditures that is too high. You can reduce this ratio either by reducing taxes or increasing expenditures. If we got businessmen and consumers to spend as much as is necessary to get us to high employment, today's tax structure would not greatly impede the rate of growth.

I think there are things that can be done to improve our rate of growth, but the rate of growth that we can achieve at high employment is awfully tough to budge. We would have to make many changes to increase the growth rate. One of them would be to reform the tax structure to the extent that it impedes incentives.

Representative Reuss. Then, what you three gentlemen contend is not that we need a tax cut as such but that we need a budget imbalance at the present time for various reasons. In economic terms, am I not right that it is not the level of taxes alone, but the level of taxes in