advocated a tax cut the other day which he said would be a $7 billion tax cut. He included in that the $1½ billion reduction in tax burden the administration has already achieved because of the adjustment of the depreciation. Now, as he pointed out, it appears that the Finance Committee with that monster they are about to report out, is going to further reduce taxes, and as far as the investment credit would seem to provide an additional $1 billion tax cut.

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So is it not true that during this year of 1962 if Congress takes no further action, there is likely to be, in effect, a tax cut for business of about $2½ billion?

Mr. ECKSTEIN. That is correct.

Senator PROXMIRE. Since you advocated a $6 billion tax cut, this is 40 percent of the way.

Mr. ECKSTEIN. No. Our analyses took those for granted.

Senator PROXMIRE. You are really advocating $8½ billion tax cut if we want to include everything?

Mr. ECKSTEIN. If you want to include all the previous relief, yes. The Treasury is supposed to get a little bit of the investment credit back in revenues from loophole closing. They are not to get all of it.

Senator PROXMIRE. Very little the first year—A net cut of a billion dollars in taxes.

Mr. PECHMAN. May I just interpose that I am distressed to see so much pessimism about some of the things that were not included in the Finance Committee bill. I should hope for example that an effort would be made to restore withholding on the floor.

Senator PROXMIRE. It will be made but it does not have much chance.

Mr. ECKSTEIN. To answer your question more to the point, the additional savings that will be made available by these measures will certainly have to be considered in making up the next tax package. It is a fact that the cash flow of corporations will have been augmented by between $2½ and $4 billion. I do not think anybody knows where in that range. And for any tax bill in the future, it would not make any sense to keep pouring more and more money into that area alone.

Senator PROXMIRE. That is right. From what you say I take it this is one area where we are probably less in need of a tax cut. This relates to a vote that we may be about to take on the floor of the Senate in the next few weeks, whether or not we should have an investment credit. I am inclined to feel that the cash flow increased before the improvement in the depreciation policy of the administration. Now the cash flow is going to be abundant, and perhaps superabundant.

There is an additional loophole in this investment credit to permit for the first time a depreciation exceeding a hundred percent which would seem to have some equity disadvantage. I am wondering whether in your judgment, Dr. Eckstein, if this is a sensible proposal now under the present circumstances.

Mr. ECKSTEIN. I am still an optimist that even if not now within the reasonable future we will get the short-run problem straightened out. Maybe that is foolish, but I believe we can, and there is a reasonable prospect we will. If you really look at it as a long-term question,