Senator JAVITS. Mr. Chairman.

Chairman PATMAN. Senator Javits?

Senator JAVITS. If the chairman would allow me—I may not be able to stay but a few minutes as I have a bill on the floor and I have to go back—I didn't quite get, Mr. Keyserling, your point about taxes when you talked. Would you mind making your point again?

Mr. KEYSERLING. My point about taxes is that I think we need an immediate tax reduction, and I want to commend the Senator on what he said about that, although we don't agree on the exact composition.

I think, also, that his statement about the lack of vigor in pressing for this now is correct. I say that we need an immediate reduction in taxes because we have been suffering from a chronic economic ailment for 9½ years and that, therefore, waiting another 2 weeks, or 4 weeks, or 6 weeks for another little inconsequential ripple has little to do with the case.

Such delay bespeaks a continual attention only to very short-range developments, which negates the very concept of the chronic ailment.

Senator BUSH. Tell him also about your schedule of reduction.

Mr. KEYSERLING. Then I say, and here the Senator and I do not have exactly the same program, that the program should concentrate very heavily, if not entirely, upon the reduction of consumer taxes in the middle and lower income brackets, on the ground that this would provide the most immediate stimulus to consumption, and in other parts of my testimony I analyze why the other forms of tax reduction are not needed now.

Senator JAVITS. I thank my colleague and I am very grateful to the chairman.

Mr. KEYSERLING. On the subject of rates of saving and family incomes, which is one of the other questions raised by the committee chairman, I say this: Federal tax and expenditure policy since 1953 to date, along with other developments in the economy, have resulted generally in too high a rate of personal saving, and too low a rate of consumer expenditures, measured against total personal incomes after taxes.

May I say here that I do not measure the appropriate rate of personal saving, and here I differ from some economists, primarily by historic records in the past. I measure it primarily by looking at the economy and seeing whether as a matter of pragmatic observation investment and consumption have been kept in balance or whether one has outrun the other, and since the function of savings is to spark investment or to feed investment and the function of consumer spending is to add to ultimate demand, I derive the conclusion that the rate of savings has been too high from the fact that, generally speaking, investment has outrun ultimate demand and resulted in vast unused capacities.

I might call this the functional approach, or the real wealth approach, or the ultimate performance of the economy approach. This condition is the natural counterpart of the imbalance between investment in the means of production and that portion of ultimate demand which is represented by consumer spending.

The appropriate remedy is to reverse the regressive trends in income distribution which have been persistent in recent years. May I point out that, since I put out my income study a few months ago,