

which have hurt everybody, a larger spendable income on the part of middle and lower income families would do much for the whole economy than a larger spendable income on the part of the corporations and higher income people, not because I have any objection to their having these higher incomes, but because they translate more largely into savings than can be absorbed in investment.

The savings cannot translate fully into investment when there is inadequate ultimate demand, and, therefore, they become frozen savings, which are merely another expression for unused plant capacity and rising unemployment of plant and manpower. So I agree completely with your implication, and I feel very strongly that a mal-adjusted, improper change in the composition of the tax burden which would be represented by a so-called across-the-board tax cut, would in many respects leave us worse off than we are now.

Chairman PATMAN. Thank you, sir.

Would you like to comment on that, Mr. Saulnier?

Mr. SAULNIER. Yes, I would like to comment on that, Mr. Chairman.

I feel that there are many changes that it would be beneficial to make in our tax system.

Chairman PATMAN. We are confining this just to this across-the-board, or the low-income group.

Mr. SAULNIER. I will come to that point, Mr. Chairman. As I say, I feel there are many changes that should be made in our tax system; to my way of thinking the question is mainly one of priorities we should place on them. In my judgment, the reason why we are not achieving the kind of economic growth we would like to have is that we have an inadequate growth of investment expenditures in the private sector of our economy, and I have suggested two changes in taxes which would help overcome that.

Now, I would like to see a broad, across-the-board reduction in the individual income tax, but, Mr. Chairman, I just don't think we can afford it at this point. Our Government is providing services of increasing scope and variety for the whole American population, for every man in the street, if you will. These services must be paid for and there just isn't anybody to pay for them except the whole American people.

There is no other place to put the burden of paying for those programs. Of course, a person may persuade himself that the programs don't really need to be paid for, and some people have apparently managed to persuade themselves of this, but I don't see how you are going to run the Government safely unless you do pay for these services and to do this you must tax everyone. That is why, while I would like to see broad individual income tax reduction, I honestly cannot say, Mr. Chairman, that I see it as a practical thing to do at this time.

Chairman PATMAN. I would like to ask you a couple of questions, Mr. Saulnier. I wish you would comment on them briefly, if you please.

Mr. SAULNIER. Yes.

Chairman PATMAN. What specific monetary policy do you feel should accompany any tax reduction that takes place?