

able answers that I have personally received, because I spread the \$100 tax cut over 12 months in equal installments, came from a man who said this would be a tremendous tax cut for 50 million people. That personally he would fritter it away but that he would feel he was spending his grandchildren's candy money. At any rate, I had the feeling, as I sat in Ways and Means and listened to the economists, that they were multiplying \$100 by 50 million people by a multiplier of $2\frac{1}{2}$ and dividing the grand total by 300 for refrigerators or 3,000 for cars, to determine what the effect of a tax cut would be.

I hope when I have conducted my amateurish and nonscientific poll, at least I will have a better idea of where this money is going to go.

I expect the chairman will let me spread it on the record of this committee hearing.

Chairman PATMAN. Senator Proxmire.

Senator PROXMIRE. Yes, I would like to say first to Mr. Livingston that I agree with a great deal you said.

No. 1, too many economists feel deficit spending is a panacea for everything. I think that is true. I do not think it can help a great deal.

Regarding your statement that the investment tax credit amounts to a 7- or 8-percent subsidy to manufacturers of equipment, there is no question about it. This is the first time this Government would permit anybody to depreciate more than 100 percent, which is in effect what we would be doing.

Over on page 4 of your statement, you say that:

I think the way the system is structured impedes growth. I think we need lower corporate and personal taxes and to reduce individual taxes across the board—

and so forth. You have a reduction in the personal income tax first bracket from 20 percent down to 16 percent; a cut in the corporate rate down to 40 percent ultimately, 45 percent as an interim goal.

Everybody would like to see it. But in view of the very great likelihood of increased expenditures, which increased \$6 billion last year and \$6 billion the year before, the fact that so many of these expenditures have become sacred cows whether they should or not in defense and space, are you not going to run a perfectly enormous deficit if we even come close to approaching this tax reduction you propose unless we have some alternative revenue source?

Mr. LIVINGSTON. I think you are quite right, Senator. I don't presume to be a tax expert and I don't presume to say how these revenues can be made up. But it seems to me that we have a condition of pernicious anemia in this country. The pernicious anemia is the result of our tax structure.

I would rather see a deficit, and a large deficit incurred—I am not afraid of deficits per se—if we can get this country moving again, as the President has so well said.

But I don't think we are going to get it moving again if we don't stop business organizations and businessmen in general from working to find out ways how to avoid taxes.

Whenever you get a rate of above 50 percent, you make it more profitable to find ways to save taxes than to actually do the job. I don't have to tell you the numerous devices that are schemed up to do it.