Senator PROXMIRE. With the $5 billion quarterly of $20 billion annual tax reduction.

Mr. RUTTENBERG. Of course, as the proposal is, as I have made it and suggested, when Congress would reconvene on January 3, 4, or 5 of 1963, the tax rates that exist as of today would be back in existence then and the Congress would then take a fresh look at the problem. At that point in time I would hope that an emergency stabilizing type of tax cut would no longer be needed.

But at that point the Congress could take then a fresh longterm look at the problems which you have been interested in for many years, namely, the closing of tax loopholes, and the whole host of areas where through tax evasion and tax avoidance so that the income tax base against which these very high rates that everybody now professes to be against never apply.

People don't pay these rates. Anybody that pays these rates above 60 or 65 percent just has bad legal advice.

Senator PROXMIRE. Would this be a $10 a week cut for every taxpayer in effect? Wasn't this the basic AFL-CIO proposal?

Mr. RUTTENBERG. This was the proposal.

Senator PROXMIRE. For 10 weeks?

Mr. RUTTENBERG. That is right. For a total of $100.

Senator PROXMIRE. Have you made a Katona-type study or Gallup poll study to determine how much of this particular kind of tax cut, which is quite different, would be spent?

If somebody expects $10 a week for 10 weeks they would be pretty foolish to buy a home or a car or to make any substantial purchase. There might be a tendency for many people to feel they better save it.

Mr. RUTTENBERG. It depends on what you are relating this type of a $10 a week for 10 weeks tax cut to. If it is related to the kind of tax cut that Congresswoman Griffiths was talking about, namely, $100 tax cut spent over 52 weeks, I dare say the impact upon the economy of a $10 a week tax cut as I recommended as against an impact of $2 a week tax cut would be considerably different.

I dare say that one of the important considerations in terms of a tax cut for stabilizing reasons, one of the important factors is that it ought to hit very hard and very quick at stimulating economic activity.

You don't do this by spreading $1.50 or $1.75 over 52 weeks.

Senator PROXMIRE. What happened with the veterans bonus that was paid after World War I?

Mr. RUTTENBERG. What happened to it? I was one of the participants in this in a State bonus in the State of Pennsylvania, my home, and I daresay I, like a lot of other GI's, spent it very quickly.

This was something that came to us in a one lump check.

Senator PROXMIRE. Was a study made so that we know what the overall effect was?

Mr. LIVINGSTON. There was a bump in spending.

Senator PROXMIRE. Was 75 percent spent within half a year?

Mr. RUTTENBERG. I don't think anybody can estimate this. It is very difficult. We can look at it this way. People with incomes generally in the neighborhood of $5,000 to $6,000 a year or less, gross income, tend, according to the survey of consumer finances, to spend more than they earn.