

Senator PROXMIRE. Every single income group which received over \$3,000 a year in the Katona Poll opposed a tax cut. Those who had incomes of less than \$3,000 wanted a tax cut. I sent out and got documentation to show that two-thirds of those incomes under \$3,000 a year paid no income taxes.

What they do pay are property taxes or sales taxes or both and they want a property tax cut, or a sales tax cut. These are the kind of taxes they are talking about. The question was, would it be a good idea to have a tax cut or reduce taxes without specifying?

Mr. RUTTENBERG. Aren't we really begging the question, though. Maybe you disagree with the fundamental underlying concepts.

The underlying concept is that here is the American economy that started out early in 1962 with the expectation of having an annual rate of GNP of \$570 billion, having an annual GNP in the second quarter of 1962 of \$565 and \$570 billion.

Senator PROXMIRE. We failed to live up to our super expectations. But we had the biggest increase in the peacetime history of the Nation.

Mr. RUTTENBERG. But instead of getting to \$565 or \$570 billion we are at \$552. Instead of being on the way toward a 5-percent-or-less rate of unemployment by the end of 1962 we are on our way to a 6 percent or greater level of unemployment.

I say the issue is what does the Congress of the United States, what does the Executive do, faced with a situation in which at least 5.3 percent of the labor force in unemployed, where more than likely the rate of unemployment now is much closer, if you take the part-time job and turn it into the equivalent full-time employment, and take the failure of the labor force to grow, a rate of 4 percent, with plant lying idle, most industries are not booming. Faced with that problem we will either have a worse decline in economic activity or we might be able to inject discretionary fiscal policy, emergency tax cutting as a means of stimulating this activity.

I think this has to be separate and distinct from the longrun problem of the meeting the Government needs for expenditures which you and I and everybody else is for, I hope.

Better educational facilities: I think our economy can't adequately grow unless we do something about the shortage above high school level in education. We need to do many things in these areas.

This is no reason why we should use that as an excuse to let the economy drift further down into the doldrums in 1962.

Senator PROXMIRE. It is very interesting and entirely appropriate and proper that you are concerned with unemployment and I am deeply concerned with it. This has distorted our whole picture.

We have 5½ percent unemployed for 7 months. It is a very depressing statistic. But because of this, I would say this is the overwhelming reason we are talking about a tax cut today and have in recent weeks. I think what we have to recognize is that this is not the only approach. I think there are other approaches, including the supply side of the labor force.

I have said this before but I would say it again. A very large proportion of those unemployed are young people who can't get jobs because they don't have skills. One of the reasons is because they drop out of school, they leave school too early, and admittedly this is outside of the jurisdiction of the Federal Government.