Chairman PATMAN. What concerns us is this: many of us have long believed, particularly the Democrats, that when the economy is in the kind of situation it is in today, with several million workers underemployed and large amounts of idle productive capacity, what is needed is something to stimulate consumption, rather than something to stimulate savings.

Many of us believe that what we need today is a stimulant for consumption to allow about two-fifths of the American families who are now really living in poverty to participate more in the benefits of our great productive potential and have more than just enough to keep the children in school.

We are persuaded to this view not merely because it is traditional Democratic doctrine, but because we think it is good economics.

Now, of course, all of us want to see an increase in the level of investment, an increase in the level of savings, increased incomes, and increases in all the measures of economic well-being, but the basic question is how to do it. The basic question, as I see it, is whether the rate of savings is too high or too low.

I asked Dr. Walter Heller about this, and he did not give me an answer. Rather, he answered in terms of the level of savings. And of course we all agree that the level of savings should be raised, though the question still remains as to how to do it, and increase employment, too.

Does the Treasury Department, Mr. Secretary, have any factual studies on this question of whether, considering the state of our economy, the rate of savings shows up too high or too low as compared to past periods?

Secretary DILLON. I do not think we have any detailed studies on that, but we do follow it, along with the Council of Economic Advisers, and I think that we have not seen anything substantially out of the ordinary or substantially wrong with the current percentages.

We do feel that it is necessary to have faster growth, and we do agree with you that one of the needs is to stimulate demand and thereby make for increased consumption. That was the basic point I made in my statement, when we said that the pressure of the tax system is too onerous, now that we are no longer in an inflationary postwar epoch; and certainly the reductions that would be made—the great percentage of the funds released—would go to the lower income brackets and would be helpful in stimulating demand.

We also feel that, for the long run, rates that are too high in the higher brackets act to restrict initiative and in that way do not result in a favorable climate for economic growth, which will be good for all. So we feel there should be reductions there, too, which would not be important from the point of view of stimulating demand, because most people in that area probably are well enough taken care of, but which would be important in stimulating initiative, and to an extent business investment.

But we think the two are not in conflict with each other, and that both of these important things should be taken care of in the new tax bill.

Chairman PATMAN. Thank you, sir.