

Some of us have been in sympathy with the idea that the President should have discretion to make temporary tax cuts in periods of recession. The Commission on Money and Credit made this recommendation last year in its report; the Commission's report is very emphatic recommendation that such tax cuts be made in the first income bracket only.

All income classes would benefit, of course, but relatively speaking, the lowest income families would receive most relief under this proposal. Therefore it was a little surprising when the President's recommendation came up for an across-the-board cut.

Let me call your attention to the chart on the easel, which shows how the different income classes would be affected by a \$6 billion tax cut made under different methods. It is the one on the far right over there, that I am referring to now.

Looking down at the second box, you will note that if the personal income tax exemption was increased by \$200, disposable incomes of those families receiving less than \$5,000 would be increased by 2.8 percent. At the other end of the scale, those families receiving over \$50,000 would have their aggregate incomes increased by six-tenths of 1 percent.

Looking at the next box down, if the reduction were made in the first income tax bracket, families with less than \$5,000 of income would have their incomes increased by 2.3 percent, whereas the over \$50,000 a year families would have their disposable incomes increased by one-half of 1 percent.

By either of those two methods, you would increase the disposable income of the low income families relatively more than the high-income families, and presumably get an increase in consumption expenditures.

In contrast, if you make an across-the-board cut, in this case of 3 percentage points, the lowest income families would have their aggregate incomes increased by $1\frac{1}{2}$ percent, whereas the top income families would have their aggregate income increased by more than twice that much, 3.3 percent.

Under this method of reducing taxes, you would, of course, have an increase in the rate of savings, although not necessarily in the level of savings, and conceivably, you would have more unemployment than we have today. (See p. 223.)

I asked Mr. Leon Keyserling the question of whether, if we had an across-the-board tax cut, we would have a better or worse fiscal structure, and his answer was that we might have a stimulus to the economy as long as we had a large deficit, but that when the period of the deficit was over, we would have a worse fiscal structure and more unemployment than we have now.

Mr. Secretary, if the Treasury has any factual studies or estimates which indicate the percentages of family incomes that is saved in each of the different income classes, I would appreciate it if you would supply those studies or estimates for our record.

Secretary DILLON. We will be glad to do that, Mr. Chairman.
(Information referred to follows:)

The average levels of personal savings characteristic of different income classes in 1950 have been estimated in two major studies, one by the Federal Reserve