So, in terms of performance of the economy, in terms of what drives it, relatively moderate changes in this balance between income and expenditures can result in a good bit of drive.

The second point is that this is also true in the credit markets. Relative to the total amount of funds to be borrowed perhaps this amount may not seem large, but as an incremental amount on top of that to be financed, it can really have a big impact on interest rates just as a relatively moderate inflationary pressure can drive prices up by 3, 4, 5 percent.

Now, that is not Brazilian inflation, no, but it is far more than we want.

So then, in summary, modest amounts of deficits can have fairly big impacts. Those impacts can give us pretty bad performance from the point of view of U.S. goals, maybe not in terms of a South American economy, but in terms of U.S. goals they give us pretty bad performance in terms of interest rates and prices.

Mrs. GRIFFITHS. What is the mean average wage?

Mr. ACKLEY. Hourly or annual?

Mrs. GRIFFITHS. Annual.

Secretary FOWLER. 2.6 percent on the ratio of GNP to the deficit in 1959. I said about 2.4. It is 2.6.

Mr. ACKLEY. Average weekly earnings in manufacturing in July were $113.24.

Mrs. GRIFFITHS. What about the rest of the country? You don't have anything close to $5,000 as the mean average wage, do you?

Mr. SCHULTZE. I admit I may be answering too quickly, but I am almost positive the mean average wage would be over $5,000.

(The following information from Mr. Ackley, was received by the committee:)

The Department of Commerce publishes estimates of average full-time annual earnings of employees. In 1966, this figure was $5,954 in all industries, 7,016 in construction, $6,647 in manufacturing, $7,786 in transportation, and $2,247 in agriculture.

Mrs. GRIFFITHS. How much? Supposing it is 6, half the people then are drawing less than that, aren't they?

Mr. SCHULTZE. Yes.

Mrs. GRIFFITHS. How much less money are they going to have to spend if this tax bill is enacted as you suggest?

Mr. SCHULTZE. In the first place, a man with a wife and two children with an income up to $5,000 will not have a penny less than under current tax laws, because the bill is written to give an exemption to such a family. A single person, for example, with $1,900——

Mrs. GRIFFITHS. Would have $4 less.

Mr. SCHULTZE.The family man earning $5,000 would have nothing less. This tax proposal would not take anything from him. A man with a wife and two children would lose nothing because the exemptions from the proposed surcharge go up to that $5,000 level. So the proposal would not take a penny from him. As a matter of fact, in terms of real purchasing power, we think he will be better off because we will avoid some price increases which would otherwise occur.

I can't prove that mathematically, but we are sure that will be the impact—to hold prices down. So, in terms of purchasing power, he will end up better off.