ing power in relation to the vast potential for production of goods and services.

In view of this, tax concessions to corporations and more generous depreciation allowances seem doubtful tonics for the economy.

Industry faces no shortage of cash for expanding its power to produce, were it assured the markets to make such expansion profitable.

AFL–CIO estimates that such cash flow for American corporations (after tax profits plus depreciation allowances) will come this year to a total of $51.5 billion. This compares with $30.1 billion in 1953, and $48 billion in 1961, as reported by the U.S. Department of Commerce. Cash flow was 8.2 percent of the GNP in 1953, and 9.3 percent in 1962.

Such a sum has been augmented by the Bureau of Internal Revenue's recent changes in depreciation rates for industrial equipment. Even before such sweetening, the rates were more than sufficient to meet the full dollar costs of industry plant and equipment investment at first quarter 1962 rates and provide for stockholders' unimpaired dividend levels. Industry has the cash flow, in other words, to maintain its full dividend rate and its full rate of plant investment without seeking a single new dollar of capial on stock or bond markets.

As of June 1961, Forbes magazine reported that—

> Currently, General Motors treasury is all but overflowing with cash and Government bonds to the tune of $1.6 billion. Of this, a probable $1 billion is surplus cash by any ordinary standards.

Clearly, if General Motors made no major expansion in 1961, it was not for lack of available cash. Nor, considering its income accounts, was it for lack of profitability in its operations. The inhibitor to General Motors investment initiative could have been nothing other than the conviction that no expanding markets existed to justify, profitably, expansion of basic capacity.

GOVERNMENT INITIATIVE

The conditions of 1962 indicate that without massive and prompt Government initiative, economic stagnation may easily become our way of life. The conditions of 1962 suggest that Government has, in fact, been fighting a rapidly evaporating menace of inflation and at the same time giving tacit welcome to the currently live and deadly foe of deflation.

This is a major misallocation of strategic economic resources. The current economic situation calls for a speedy revision before our current momentum drops fully away.

Current practice is to fight for price stabilization, and to hope somehow that the problem of national growth will care for itself.

Sound practice demands that the first and primary battle be for national growth—and that all else be subordinated to this purpose.

Sound practice demands that the disaster of renewed recession, that the specter of mounting unemployment, that the spectacle of a great Nation unable to bend its full economic muscle into production be avoided above all.

The problem is difficult, requiring clear and perhaps "sophisticated" thinking. But above everything else, it is the responsibility of Gov-