

commercial banking system, I think you are presenting a dangerous ideal.

If you can sell securities to savers, that is something else. But I am not in favor of massive Government spending to iron out that kind of fluctuation.

Representative REUSS. I believe we must remember that we are not talking of fluctuations around a rapidly rising upward trend in the economy but those which have occurred at a time of inadequate long-term growth.

Chairman PATMAN. Senator Javits?

Senator JAVITS. Gentlemen, I see a full debate shaping up right here, and I would like to state it.

Mr. Wishart, who represents one point of view, says the key problem of 1962 is the shortage of buying power in relation to the vast potential for production of goods and services.

Mr. Ellis, at the other pole, says the rate of profit on investment is still relatively low. And being in management, he naturally understates, whereas Mr. Wishart says it right out. But I think we get the point.

Now, what I would like to ask you gentlemen: Are these two ideas, which do represent the debate this fall, perhaps even the political debate between the parties—are they mutually exclusive?

If I may just finish my question: In other words, is the only thing we can do, according to Mr. Wishart, to get more urban renewal, pass aid to education, win for medical care, pass, as my distinguished colleague Senator Douglas says, the Youth Opportunities Act? And that will do it?

Or must we go with Mr. Ellis in a mutually exclusive way, and say, "Let's put a roof, not in law but in national climate, on wage increases and price increases, and let's give a real boost to automation, and let's go to town with giving business the expectation of more profit"?

Are these mutually exclusive?

Mr. WISHART. Might I say this: The increase of purchasing power which would expand industry's markets is by no means inconsistent with a certain profit return to industry. In fact, in my opinion the profit squeeze, about which we have heard so much, reflects primarily the underutilization of equipment. The cost of equipment, the cost of research and development, the cost of the sales force, the cost of the salaried personnel, does not decline with the drop in production. That cost remains relatively fixed.

The wage cost does go down in relation to production cutbacks.

So that the way out of the cost squeeze does not lie along the avenue of a wage freeze. The way out lies along the lines on which we have been talking here, the increase in purchasing power, to make it possible for industry to operate at something close to a desired level of capacity utilization. I think industry generally is quoted as saying that 94 percent is roughly the preferred level of operation.

I might add also that in my opinion the deterrent in business investment policy—and here, obviously, I am not speaking from the inside—the deterrent on investment policy is not profit as such, but the estimate of the market, the estimate, in other words, of the available buying power.