

problem of foreign trade and investment, as well as a problem of domestic improvement.

After all, the growth potentials in our country apparently are now limited, and we have got to look to the world in order to give the American economy the new plateau upon which to stand, in the world and in science. And these are the things I would hope, as we go along in these hearings, may be developed.

Thank you.

Chairman PATMAN. Senator Proxmire?

Senator PROXMIRE. Before I ask Mr. Weston about his very provocative reply to my challenge on monetary policy, I would like to say I am delighted to see so much of this discussion revolving around excess capacity. Our Statistics Subcommittee of this committee held hearings, and we have just filed a report. I put the report in the Congressional Record only yesterday, the recommendations from the report.

I think this would be an extremely useful area for further exploration. The data on statistics on industrial capacity is very unsatisfactory, very incomplete. We have some fine people working on it, and they are doing the best they can, but we have a long, long way to go.

And this is one of the reasons why I feel that we cannot make decisions as confidently or as surely or as effectively as we should because we just do not have the statistics necessary for them.

And I would like to ask, Mr. Weston—

Dr. WESTON. I was just going to say that although there is quite a bit more work to be done on measuring capacity utilization for purposes of comparison all you need for judgment in a situation like this is to compare the measures of capacity utilization in this recovery with previous recoveries.

And although as absolute measures the measures may be imperfect, the measures themselves have not fundamentally changed in their concept and techniques. And when you compare the degree of capacity utilization in this recovery with previous recoveries, it falls significantly short.

And it does not have to fall very much short to have a significant negative impact on the profits, because with a higher degree of fixed costs, now, as a percentage of total cost, a smaller decline from some norm of full capacity utilization will produce a much more repressive effect on profits.

I just wanted to make that point.

Senator PROXMIRE. Yes. Well, I do not want to get sidetracked.

We have an excellent chart in the Economic Report on page 55, showing the distinct, direct, constant relationship between capacity utilization and corporate profits. There is just no question about it.

At the same time, I think that much of what Mr. Ellis says is true, that 90 percent seems to be the optimum level.

There is about the same degree of excess capacity that there is of unemployment.

But let me get into this right now, because I think this is so crucial and so important.

You seem to share the view that we should not put on fiscal brakes, but you seem to think that we should put on monetary brakes, slowly, gradually, but we ought to put them on. You say that monetary policy is relatively tight because of the international balance-of-pay-