Senator PELL. Thank you. Mr. Greenwald, I noticed your point and was struck by it, that the economy has not gone down of late. I am struck too by an insertion in the Congressional Record by Senator Sparkman in which he put in a series of articles pointing out that never have profits been higher and the economy apparently more booming though we hear to the contrary. You point out that investment plans have not been particularly changed by the investment credit. You feel they are reasonably satisfactory in the United States. Nevertheless, in comparison with Europe apparently we invest about a third as much of GNP in new facilities as do they. This is true even now while Europe has recovered from the holocaust of the war and they are spending two or three times more of their GNP than we. How do you account for the difference?

Mr. GREENWALD. If you have a high ratio growth in investment relative to GNP countries generally you grow faster. I think this is fine in many areas of the world but I don't think this applies to the United States any more. I think we have a great record of growth in the past and we are the richest Nation in the world.

Senator PELL. My point may be stated better, why is it in Europe they are willing to put more profits into growth than here?

Mr. GREENWALD. I am not sure they are putting profits into growth. This raises another question, the comparability of statistics. Many industries for example in England or France are nationalized directly or indirectly. So these comparisons, often cover more than private industry.

Senator PELL. In general would you agree with the thought that a larger proportion of the product of a plant or business is spent on new equipment abroad than here?

Mr. GREENWALD. Yes, sir, that is true.

Senator PELL. What is the reason for that?

Mr. GREENWALD. This is something I am not certain about. I think you could argue that this is a question of the incentive that I raised earlier. In the United States you need the businessmen to invest, to feel that he has a reason for a larger amount of investment. I have said earlier before the Joint Economic Committee, that we should be investing somewhere around $42 billion by the end of this year. However, we are only going to spend according to my estimate of plant investment in the fourth quarter, based on our surveys something like $39 billion. Investment of $42 billion would give us a larger ratio, although it might not be as high as in Europe. These countries are expanding from almost desolation, so it was necessary for them to have a high volume of capital investment to make up for the losses they had before. It probably also has to do with labor shortages overseas.

Senator PELL. Doctor, as both an economist and psychologist, is the reason for it psychological?

Mr. KATONA. I have just come back from a study trip of the Common Market countries. It is very true that in the first 10 years after World War II, which is roughly 1947 to 1957, because of the previous destruction, they have spent very much more on business investment than we have. Today the trend is downward. The new impetus in the Common Market countries comes from consumers, from an enormous increase in installment credit and automobiles, con-