

I do believe that we have something to learn from the experience of Western Europe and Japan, and that tax devices will raise the total rate of investment.

Senator PROXMIRE. Yes; but is this the right kind of tax device? In the first place, business has not indicated any enthusiasm. McGraw-Hill said this will have the result of increasing investment by \$300 million although the Federal Government will lose a billion dollars. A survey by the Wall Street Journal, with 68 big firms queried, only 1 said they would change their investment policy. It is a nice windfall, but one they do not expect to influence policy and do not want it.

Mr. ECKSTEIN. This will not be very effective as long as the aggregate rate of activity does not lead to anything like optimal utilization of capacity. I would not attach too much significance to the immediate answers of businessmen. I think most of them did not understand what the credit was about. I have explained it to a few small businessmen and in some cases they very clearly told me, that it certainly would help them quite a bit.

Senator PROXMIRE. These were the biggest firms in the country and people who had very distinct ability, and understanding in this area. They have sufficient specialists so they should be competent on something of this kind. Let me ask Dr. McCracken, you assumed the same thing Dr. Heller did yesterday: That the supply of money should include time deposits. We did not have a chance to pursue it on this, but I want to take the few minutes I have left to pursue it with you.

Dr. Heller seemed to ignore his own indicators which show on page 26, money supply, total, and under total it does not include time deposits. It does include currency and demand deposits which have been the traditional definition of money supply. Then it shows related deposits or time deposits separately. On this basis, and I think you can make a good argument that time deposits are not money, it is clear that money supply has been dropping very rapidly in relationship to the gross national product, whereas in 1953, it was 35 percent; 1958, 31 percent; a year ago, 27 percent; now it is down to 26 percent. This does seem to represent a real squeeze which is being directly reflected in rising interest rates, as Senator Douglas demonstrated so well, and by the drop in free reserves.

Mr. McCracken. I would define the money supply differently from the Federal Reserve or the concept as included in the Economic Indicators. There is no one definition which is uniquely and clearly and unambiguously vastly superior to another. The assets that people hold are really a continuum, ranging all the way from currency, the most liquid asset, to demand deposits and time deposits and for corporation short-term securities, which serve for them a function virtually the same as cash. One important function of money is to serve as a reserve of purchasing power for unforeseen contingencies. Certainly time deposits serve this function well, and practically are immediately convertible into demand deposits. In any event one can say this. In the last year total bank credit has increased over 8 percent, half of which has occurred since the turn of the year. Perhaps that is a better measure of the monetary influence on economic activity. As a matter of fact, in my opening statement I used the figures on bank credit, rather than the money supply, because it was not until after my