

outlays, and some deficiency in public outlays, were the dominant factors in the deficiency of about 73 billion in total national production at an annual rate.

While there was also a deficiency in gross private domestic investment, and in investment in plant and equipment, during second quarter 1962 and during the period 1953 to mid-1962 as a whole, this deficiency was caused by the deficiencies in ultimate demand which led to vast idle plant capacities and therefore dissuaded private investment.

During the upturn or boom periods which have occurred since 1953, investment in plant and equipment has tended to race forward at a nonsustainable rate when measured against ultimate demand and unused plant capacities. Throughout the whole period, prices and profits and other funds available for investment have been ample or excessive, in that they have always been adequate to spark a level of investment as high or higher than justified by ultimate demand. This is true even today, despite the exaggerated talk about the "profit squeeze"; most profits now are very rewarding, and where they are inadequate it is only because of deficient ultimate demand and the extraordinarily high level of unused plant capacities. Profit-sales ratios indicate clearly that what business really needs is more sales.

CEA Chairman Heller's testimony of yesterday, in its citation of facts and indeed in its general analysis, powerfully reinforces what I have just said; that is, that profits are good and in many instances advancing; that funds available for investment are ample or even redundant, especially when cash flow is taken into account; and that only unused capacities and deficient ultimate demand stand in the way of more ebullient investment.

Under these circumstances, I might fairly construe Dr. Heller's continued support of still more tax concessions for investors as evidence of his proper responsibility to keep in step with existing administration policies. Meanwhile, I cannot understand fully why the administration is still debating what kind of tax cuts we need, or even leaning toward a composition of tax cuts which would exacerbate the imbalances between investment in the means of production and ultimate demand by favoring corporations and high-income individuals unduly, at the expense of those middle- and low-income consumers who spend for consumption a larger part of their aftertax incomes.

My third point is with respect to tax policy—and let me say that my discussion follows the very penetrating questions in the statement which the chairman of this committee put out in announcing the hearings—dawdling or delaying with respect to tax reduction has no justification, in the face of a chronic economic ailment which is now being confirmed rather than alleviated. And in view of the central reasons for the chronic economic ailment, the proper nature of the immediately needed reductions in taxes is clear as day. Tax policy since 1953 has aggravated the imbalances in the relationship between investment in the means of production and ultimate demand; recent Treasury revisions in tax regulations move in the same direction; and passage of the 7-percent tax credit would move still further in the same direction.