

ing and would, as I think we all will agree, have, in agreeable circumstances, a multiplied effect through the economy. I would say, Senator Proxmire, that I am concerned also about measures being taken to promote a higher rate of investment expenditure because I have the distinct feeling that we have been tending to fall behind in recent years in these matters relative to countries elsewhere in the world.

Senator PROXMIRE. My time is up, but I had a printing company in Wisconsin, and we expanded our plant. We did it for one reason. We thought we had a good market. We thought we could see an opportunity for us to increase our production by selling more. No matter how much had been available for us in depreciation reserves, or even in profits or how good our profit margin was, if we did not feel we had the market, I think it would have been a very stupid decision for us to make.

Mr. SAULNIER. I think I understand your thinking on this. Just let me say that in our country, organized as it is on an enterprise system basis, on a profit system basis, we have managed somehow, not really by design, but more or less inadvertently, to develop a tax system which, if we sat down to work one out that would discourage risk taking, could not be more artfully designed. But, all the same, we have it. What I am saying is: Let us strive for a tax system which is better designed to encourage investment, risk taking, and business activity generally.

In this connection, while I do not make the point in my statement, I think we would be well advised to give very careful consideration to the substitution of some other form of taxation for the profits taxation we currently have. And for that other type of taxation I would suggest a producers value-added tax. Our present tax system, which puts the accent mainly on profits, not only has the effect of discouraging risk taking, but it tends to have a braking effect on the economy when we move toward higher levels of activity. It is excessively unstable in its revenue-gathering effects, and I would like to see us develop a tax system with greater stability in it in this respect.

Representative REUSS. Thank you, Dr. Saulnier.

Representative CURTIS. I had one thing I would like to ask Dr. Keyserling.

Representative REUSS. Mr. Curtis?

Representative CURTIS. Mainly because it was in Dr. Saulnier's statement, and I did not see it in yours. I had this excerpt from the New York Times, an article you wrote which appeared there on August 5, and one of the things you said in there was this:

An unequivocal Presidential assurance against repetition of the recent degree of intervention in price decisions, wage making, and industrial disputes, this would remove a main barrier to confident business investment in new plant and equipment. More investment would create more jobs.

Do you still adhere to that? You did not mention it in your statement. That is the reason I was bringing it up.

Mr. KEYSERLING. I adhere to it. I have the same position today that I had on August 5. I am for more investment, and I am at all times for appropriate risk taking. But when we have 15 or 17 percent of our plant capacity idle, and have had an average of so much idleness for a number of years, then there has been too much risk