

manufacturing corporations in 1961, by size. There I am struck by the fact that as you progress from corporations with under \$1 million—is that in assets or sales?

Mr. LANGUM. Total assets.

Representative REUSS. And move in the direction of corporations with \$1 billion in total assets, the percentage of net profits after taxes moves quite progressively from a fairly miserable 1.2 percent to a fairly lush 8.4 percent. When you add in the depreciation allowances, it moves in exactly the same progression from 3.3 to 14 percent.

In the case of the \$1 billion corporation, the rate of net profit after taxes is about eight times the rate for the \$1 million corporation. Total cash flow for the largest class of corporations is at a rate five times the rate for the smallest size class. In computing your depreciation allowances, I take it you used the allowances in effect in 1961?

Mr. LANGUM. Yes, sir.

Representative REUSS. The discrepancy between the rich and the poorer corporations would be even larger if you took into account the increased depreciation allowances made by the Treasury last month and the 7-percent investment credit, once enacted, would it not?

Mr. LANGUM. I think it would increase to a moderate degree the differences shown on page 8. I believe the Secretary of the Treasury noted, in commenting on the new depreciation guidelines, about the differing degree of usage of increased depreciation accruals and possibly a tax credit by the larger corporations with excellent accountants and technical staff to do so.

I think that it would probably be a moderate proportion. But it certainly, in my judgment, would be along the lines of the differences shown in these tables.

Representative REUSS. The general point I got from your paper is that, if you take into account cash flow, including depreciation and depletion allowances, corporations generally have never had it so good.

On this table, I take it that the bigger the corporation, the larger the cash flow in percentage terms.

Mr. LANGUM. I think that is true in terms of cash flow, because unquestionably there has been a major step-up in cash flow with the rise in depreciation accruals. I think, however, that we should look upon that as a matter of greatly strengthened and improved quality of reported earnings.

In terms of reported earnings, the rate of return on equity, which I think is the ultimate measure, in the last 5 years has been about the same for leading manufacturing corporations as in the years of the late twenties.

Representative REUSS. I have a question for Mr. Hagedorn. You referred to the foreign short-term financial claims against this country and said that, therefore, measures used for promoting economic expansion at home should not depend on low interest rates.

I would ask you this question: Now that the Western World has laboriously attained the goal of currency convertibility among the major free world nations, isn't it really quite drastic to conclude that whenever any country, Ruritania, decides for good or bad reasons that it is going to raise its interest rates, we have to raise ours correspondingly, lest foreign or domestic capital leave this country?