

series on plant equipment, was 33.9 billion and the estimated figure for the second quarter of 1962 was about 37 billion.

I think we have to look at these figures by years.

Senator PROXMIRE. McGraw-Hill estimated that they expected it to go up to 39 billion.

Mr. LIVINGSTON. Thirty-eight.

Senator PROXMIRE. Anyway, a relatively modest increase. In view of the billion and a half that is going to be an increment to the profit situation next year, it would seem that this ratio is going to drop further next year.

This investment credit proposal is very controversial. I think there is some chance we can beat it in the Senate. It seems to me you are giving us ammunition for it.

Mr. LANGUM. I think several things affect plant and equipment outlay decisions. One factor that does influence it is the amount of cash earnings. There is something else, too. That is the needs and views of business for additional capacity and equipment and the recent timing of corporate plant and equipment expenditures.

Senator PROXMIRE. McGraw-Hill after a survey found that this would only increase it \$300 million a year. The cost in lost revenues would be a billion dollars. The Wall Street Journal in a survey queried 68 of the biggest firms in the country and found only one that would change its investment policies because of this advantage.

Mr. LANGUM. I would give weight to those surveys. They are well done. However, there are other factors involved that tie into the particular point I was about to make.

In 1955 the American economy moved up sharply over the recession year of 1954 largely because of the automobiles and housing.

In 1956 and 1957 American business went on a major plant and equipment outlay spree. The fact is that was an era when some corporate executives got so enamored about growth in the economy that they were making speeches about GNP in 1975 and the year 2000 but forgot about the extremely important years they had to live in 1958, 1959, and 1960.

Business overdid it on plant and equipment spending in 1956-57. That was one of the reasons for the emergencies of overcapacity. So that having overdone it, these ratios are somewhat lower in more recent years, in my judgment, for that reason.

We are at this stage in time, it seems to me. We have had several years where the whole private durable sector in real terms has moved sideways. Plant and equipment, residential construction, consumer spending on automobiles and other durables.

This is without precedent in the history of our economy. I think that is partly because we overdid it in 1955 and 1956 and 1957. But now I think time is starting to be on our side. Things wear out and become obsolete.

I think we are in a situation on plant and equipment where businessmen, with some renewed confidence, with less worry about things they should not be worried about so much, with looking ahead to future markets and expansion of markets, I think we have the ingredients here for a spark for real expansion and growth.

In these circumstances, even though there is not the immediate comparative problem as you rightly point out from these figures, I