

And I presume, like any tax advantage, it will not have much trouble now getting through Congress, although I will stand shoulder to shoulder with Harry Byrd on opposing it.

But it seems to me that this is a special privilege which is awfully hard to justify, has already been expanded, as I understand it, to furniture in motels, can be expanded indefinitely, and could become almost as much of a nightmare as the depletion allowances.

Secretary DILLON. I would like to comment on a couple of things.

First, on the question of cash flow. This is not the primary reason for the investment credit, as I said, I think, when you happened to be out of the room.

There is, I think, generally speaking, or there has been, adequate cash flow, although it has not been adequate for certain specific industries, and I mentioned the steel industry as one possible example. But for industry as a whole, I do not think cash flow is the problem.

It is the question of profitability. And certainly this investment credit is designed primarily to increase profitability and to increase the speed at which one's investment is returned, and in that way, it makes an incentive to invest.

I would like also to comment upon what you mentioned, the McGraw-Hill survey, and the Wall Street Journal article.

You reported them correctly in the sense that this is what they reported for immediate investment plans. And I think it is very likely that their reports are correct, because companies make their investment plans rather far in the future, certainly a year to 18 months in the future, and I think there is no doubt that when they were asked: "Would you change your plans in 1962?"—which was the way the Wall Street Journal's questions, I remember, went—the answer was "No, because our plans are already too far advanced."

That does not mean there will not be very substantial changes in future years, when they have time to sit down and plan out the future of what they will do.

Certainly the credit has been strongly supported by many industries, with specific statements that it would increase their actual investment in plant and equipment.

I saw recently what I think is a very eloquent appeal, which was on the back of the third quarter earnings statement of a very large machine tool outfit in Milwaukee by the name of Kearney & Trecker.

Senator PROXMIRE. It would not surprise me at all.

Secretary DILLON. And they were very strongly for this.

Senator PROXMIRE. It is a fine firm.

Secretary DILLON. They hope that this will give more jobs to their employees by enabling them to sell a lot more machine tools.

Senator PROXMIRE. Thank you, Mr. Secretary.

I have got to run to the floor.

Chairman PATMAN. Mr. Curtis?

Representative CURTIS. Thank you, Mr. Chairman.

I want to come back to some more discussion of debt management. And I am happy that we are getting on the record some of these problems, because to me one of the most disturbing things has been that the people who have advocated deficit financing have done so without apparently any regard for the fact that the problems of debt management impinge upon monetary problems.