product and profits, expansion, utilization of equipment, and employment?

Mr. ACKLEY. Mr. Chairman, I gather you are directing your question not to the immediate situation, but to the longer run situation.

The CHAIRMAN. That is right.

Mr. ACKLEY. And it seems to me that the principal impact of the program that the President suggested, on both the side of taxes and expenditures, must then be evaluated in terms of its impact on the basic growth rate of the American economy.

Mr. Chairman, I do not see this program as having a serious and lasting impact on the growth rate of the American economy.

The tax increase that is requested is one which does not restore tax rates, on the average, close to the levels which prevailed prior to 1963, and the increases are temporary in character.

At the end of my statement, Mr. Chairman, I indicated my own confidence in the growth potential of the American economy, and in the possibility that we can count on a renewal of the trend toward lower tax rates.

The impact of this tax increase on our long term growth rate would be found, I suppose, first in its possible impact on the level of investment expenditures. We have had, of course, a very high level of investment expenditures, a rapidly increasing level, for the past 3 years, and we don't anticipate that investment expenditures would under any circumstances expand substantially further in the next year or two.

We have some catching up to do with the growth of our capital stock which has been put in place, that is currently being put in place. So I don't see that the action that is proposed has a significant impact on our basic ability to produce, in the short run or in the long run, Mr. Chairman.

We have an expanding labor force, a rapidly expanding one. We have initiated in recent years important programs to improve the quality of our labor force, through expanded programs of training, health and basic education. Even though the further expansion of those programs may have to be curtailed, because of the current fiscal emergency, their existing levels are such that they will continue to contribute importantly to the increasing productivity of our labor force, and to our ability to produce in the years ahead.

The CHAIRMAN. Mr. Ackley, let me ask you, too, for the moment, just to forget the budgetary situation, and look to the present economic situation. Not what you expect will happen, but what our present situation is. If that were to not change, if it were not to improve, would it then still be wise to have a tax bill?

Mr. ACKLEY. I find that a difficult question to answer because I am so convinced that we have already evidence of the factors which will, which have begun to, lead to a greatly improved and strengthened economic situation.

The CHAIRMAN. I want to discuss those factors with you as we go on here but I sometimes wonder if we do not impose upon you and others when we expect you to tell us what is going to happen. Let us try to divorce from our discussions momentarily what we think will happen 3 months, 6 months from now, and look to see what we know the situation is today—face up to these known facts, and then decide whether or not it would be best on the basis of what is known to have a