

billion we would begin to be concerned about the problem of staying within the debt limit. I said in the very early part of my statement, Congressman Battin, that the real purpose of coming here is to keep the use of the borrowing authority that the Congress did provide to much lesser proportions. These proportions, we think, are a lot more compatible with the economic and financial health. Of course, the borrowing authority is there and the Treasurer usually wants to be in a position to borrow or get it out of revenues.

Now, my distinct preference is to hold that deficit down because I think to borrow up to the limit that would be permissible given the economic facts that we have been discussing the last few days, is the wrong course to take.

MR. BATTIN. We reinstated the 7-percent investment tax credit because I believe we felt that the business community was slowing down and something had to be done to get that picking up again.

Now, how do you equate giving somebody a 7-percent investment credit and then turning around and putting a 10-percent surcharge on their earnings? Does that have any counteracting effect to the point where maybe we should talk about some other action by the committee rather than just a surtax?

Secretary FOWLER. I don't think so because I think the investment credit was there as a permanent part of the law to begin with. It was suspended last September in the special circumstances that were indicated. I think it served its purpose, as Chairman Ackley's testimony and the study of the charts indicated this morning. There is no longer the excessive escalation in the rate of plant and equipment expenditures that characterized the period of a year ago. It has flattened out. Indeed it could edge up some in the period ahead, without causing great concern. Therefore, having made a commitment at the time we suspended the investment credit that when the conditions to which it was addressed had passed we would restore it, I think having made good that commitment I do not personally see a real connection between that and the action we are taking here on taxes. I realize that there are those who will dispute that but to me they are two entirely different propositions.

MR. BATTIN. What effect might this have as an offset? Here is a credit on the one hand and on the other hand a tax. Is there a loss here for the people who are in a position to take advantage of the 7 percent? I realize they are applied to dividends.

One of them was capital investment. The other comes out of the earnings. How much of an incentive might it be for business now to take the 7 percent where they perhaps delayed building or equipping their plants because they wanted to offset income?

Secretary FOWLER. I don't believe there would be very much connection between those two in that regard. I think the decisions on whether to purchase new plant and equipment, thereby giving rise to the 7-percent investment credit, involve a much larger and different group of considerations than simply taking the tax advantage and profit advantage or the cash flow advantage. For one thing we must remember on the cash flow side of the picture the marked acceleration in corporate tax collections which has characterized recent years. The revenue from that drops off appreciably, about \$4 billion or more, so an excess of \$4 billion drops out of the receipts structure.