Mr. ULLMAN. On that point, isn't it a fact that there is a much heavier picture of corporate borrowing this year than there was last year?

Dr. MADDEN. Exactly; and I am saying that this heavier corporate borrowing has been effected this year in anticipation of this deficit which we are faced with and it is not necessarily for the purpose of expanding plant and equipment facilities.

Rather, it is to restore the liquidity, the cash position of the corporations and therefore it does not necessarily follow from this high demand that in 1968 the corporations will have a similarly high demand for money and therefore the total demand for money in 1968 may not be as high as the administration has implied that it will when it compares 1968 flatly with 1966.

Mr. ULLMAN. Is there any letup of business borrowing in the markets today? All I see is an acceleration. Your argument might make some sense to me if I saw any indication whatsoever that there was any downturn, but it isn't there.

Now, you talk about the business profits dropping. Certainly they dropped. But where are they? Are you saying today they are at a low figure compared to 3 or 4 or 5 years ago?

The only time in recent years that profits were higher was last year. If you take the peak off of last year they are almost at an all-time high and yet you are saying that business is in a marginal condition.

I have never seen business in a healthier condition than it is today, looking at the total picture.

Dr. MADDEN. I think you are absolutely right in saying that business is in a healthy condition today. It is certainly true that we have had a remarkable prosperity for which I think the Nation should be thankful; but I do not believe that is the issue that is before this committee.

The issue that is before this committee is whether business investment is going to increase next year and whether if it does this will produce a large demand for funds in the money markets, and I am saying our position is that this is a questionable assertion that this committee should pursue in some depth before it accepts the position that there necessarily is going to be this increase.

For example, profits have declined by 7 percent in the first half of his year. Unit labor costs are rising. It is very unusual for businesses to expand their plant and equipment spending in the face of profits that have declined and unit labor costs that are rising. Authorities such as Geoffrey Moore, the research director of the National Bureau of Economic Research, in a recent Wall Street Journal article point out that this is the case, that historically this is unusual.

So there is a question whether business is going to expand its investment spending next year and therefore there is a question whether the demand for money in 1968 will be as strong as the administration economists assert that it will be.

Mr. ULLMAN. The question that this committee is going to have to face, and this Congress, is which is the most acceptable alternative facing the country today. The easy thing to do would be to sit on the status quo and wait until there were some certain answers.

Unfortunately in this business there aren't any certain answers. We have to look 6 months ahead rather than 6 months behind, and