

Regardless of what may be the trend in profits and business investment spending in the short term, I believe the last thing which should concern us at this stage is fear of too much growth of productive facilities over the years ahead. When question is raised about a return to the surging trend of a year ago, it generally is in the context of an assumption that the actual rate of expansion in facilities was too large for the economy to absorb. Yet, no one claims that we have excess capacity today in the sense that this condition existed after the capital goods boom of 1955-57. When we look at the present balance in industrial facilities, and recognize how quickly rates of utilization could move up to pressure-point levels, it is evident that we did not overbuild in 1966. Thus, it would seem the fundamental problem last year was not that the expansion rate was too great in physical terms, but that this rate outran our ability to finance it. As we look ahead, I believe we must consider that the problem is not likely to be one of spending too rapidly for business expansion, but is much more likely to be the absence of available financing adequate to support a growth trend which would be most beneficial for the economy.

Any investment in new plant and equipment, whether to modernize or expand, creates better jobs. The question is whether a given expansion in overall investment and growth is strong enough to also create an addition to the total number of jobs. What has happened in the manufacturing sector of the economy since World War II illustrates the importance of strength in economic expansion to net job creation.

You may recall that, after the war, economists and labor force statisticians generally thought we would never return to the peak level of manufacturing employment, 17.6 million workers in 1943. However, the 17 million level was exceeded again in 1953, 1956, 1957, and 1964, although the totals stayed below the wartime peak. That peak was exceeded for the first time when the total moved up to 18 million in 1965, but it is interesting to note that the unemployment rate did not drop below 4 percent until manufacturing employment went sailing past 19 million in 1966.

The relation between the growth of jobs and the growth in production may be simply stated. Other factors being equal, the number of jobs will decline when the percentage increase in productivity exceeds the percentage increase in total output; will stay about the same when productivity and output gains are about the same; but will increase in step as output moves up beyond productivity gains. We need all the productivity we can get because this is the only means for advancing the value of work and underwriting wage increases without inflation. But, to provide more and better jobs, we also need a significantly higher rate of growth in total output. We can expect this condition to be normal hereafter only if profits are adequate and investment funds are available to induce and sustain vigorous expansion in productive facilities.

EQUAL TREATMENT FOR CORPORATIONS

My foregoing remarks explain our belief that the rate of surcharge, and its effective date, should be the same for corporations as for individuals. I will add further comment here only with respect to the base of the surcharge and further speedup in corporation taxes.