

how reasonable that hope is, in view of the suspension of the investment tax credit, the forthcoming increase in payroll taxes, the predicted slowdown in sales in the latter portion of the year, the increase in the minimum wage which was enacted during the 88th Congress, and the possibility of a proposed corporate income tax increase. Couldn't this result in rather serious reduction in margins to the point of some detrimental effects on the economy as a whole? That sounds like an awfully heavy load.

Mr. HELLER. If you put it in terms of possibility, yes, there is this possibility. My own forecast of profits for this year is about 5 percent below last year, which is a little more bearish than the official Government forecast. But I would say this, that the present level of profits from which this slight erosion is going to take place is a very high one indeed.

I think we should keep in mind that profits after taxes of corporations are running just about double their level in early 1961, and they are doing so on a much more solid base of depreciation allowances.

So the fundamental position of business is very strong, and I think that the administration quite properly points out that given the prospects for a more stable economy, a slightly more modest profit objective, if you will, may be in order. One of the reasons for high profits in boom times has generally been that you had to have the feast in order to prepare for the famine.

We may still have periods of undernourishment, but I think the periods of famine are gone in our economy. As a consequence, the long-run profit picture of corporations is extremely favorable, and perhaps their margins don't need to be quite as high as they were in the days of greater instability.

Representative RUMSFELD. I am a little confused by your reference in two points in your statement to the effect that domestic programs should be considered on their merits. This is true, but it suggests you don't then consider them one against another, which of course Government must do, and I assume that when you say that, you mean they should be considered on their merits separately and then they have got to be plugged into a system of priorities for over-all Government spending. You mean this, I take it?

Mr. HELLER. As an economist, I couldn't agree more. But what I am trying to emphasize is that the draft that the Federal Government is making on the resources of the economy, even with the expenditures in Vietnam, is modest enough so that we don't have to make any drastic cuts in the advances in these programs. Our economy has sufficient resources, but it may require making some private consumption move over for awhile, through this tax increase.

Representative RUMSFELD. I had the feeling in your statement that you moved away from a discussion of economics to a position favoring certain domestic spending programs over other domestic spending programs.

Mr. HELLER. Mr. Rumsfeld, you are very acute. Yes, I moved out of my role as economist when I got into that last section and talked about what I thought our national priorities ought to be. That is not something that I can scientifically determine as an economist. There are some programs that I think I could say, well, we ought to put more into this because we will get a good return on our investment—educa-