

Senator PERCY. Secondly, on the investment tax credit, I was delighted to see your position is inflexible with the thought of perhaps restoring it earlier. However, as I recall the original discussions about this, we were talking about making this a permanent part of our tax structure. I think it was the hope of the business community that it would not be something that would be turned on and off, that business could really plan on this to help keep our competitive position.

My own arguments as a businessman were three. First, it would make our labor more productive and would enable us to increase wages, and thereby the buying power of labor.

Second, it would help us lower our consumer prices, which would help combat inflation and improve our standard of living.

Third, it would make our goods more competitive with foreign products. I have had my share of this type of competition in past years.

If these three things are so necessary for our economy, why wouldn't it be a good thing to move forward to make this a permanent part of our tax structure and not keep turning it on and off?

Mr. HELLER. Let me say that the very factors that you mention are the ones that led us strongly to urge the adoption of the investment credit when the Treasury and the President proposed it back in 1961.

After all, if you are going to try to achieve full employment side by side with price stability, with rapid growth and balance-of-payments equilibrium, you have to have a policy to increase productivity, both by investment in human beings and by investment in machinery and plant and equipment, and in research and technology. But when you are making a decision for a particular period in time, and want to keep a stable economy, you have to balance the demand factors involved in plant and equipment against the obviously desirable long run supply factors, and you have to balance the capacity argument against the modernization argument.

What I tried to suggest is that in striking that balance, we may, first, still find excessive demand in the plant, equipment, and machinery area, which would cause continued sectoral inflation in the economy and hurt our balance of payments. And, second, we may be expanding capacity to a point where it might give us the kind of trouble, I would hope not in the same degree, as we had in 1957 when we expanded plant and equipment to a point where consumption did not keep up with it.

So while I want to be flexible, and while the air pocket consideration certainly is an important one, I think we have to keep an open mind on whether we want to restore the investment credit and accelerated depreciation in the middle of this year, or possibly extend it in order to get over the air pocket. This will depend on the balance between these entirely tenable points you make, and the short-run impact on demand and the problem of overcapacity.

Senator PERCY. My own experience would lead me to believe that the leadtime is so disparate for these decisions that when you change the investment tax credit, you don't get an immediate impact. It is the kind of a tax change where the impact is the longest and farthest out. You don't get a change when you need it. You may get the adverse effect at the very time when you don't want it. But I will defer to Senator Symington at some point to have him comment from his own experience in this field.