will turn out you did, too, but in any event it was better to do something than nothing, so I was for it.

However, in the present situation I wonder really what foreseeable sets of economic events will cause it to be sensible to reinstate the investment tax credit; if we have full employment and if value judgment people that the economy at that full-employment level is not putting enough into plant and equipment and is putting too much into current consumption, then the remedy is not to restore the tax credit. That will simply cause inflation. The remedy would be to increase taxes on consumption or income taxes generally, so you quiet down consumer spending. I should think that would follow.

Similarly, if we are a little away from full employment, I should think the remedy to get us to full employment would be to ease up on taxation, on consumers generally. In either case I can't see much of the case for restoration of the investment tax credit. If we got into another 1962-type situation, which I hope we do not, then I would be much more receptive to it. Will you comment on my quandry?

Mr. HELLER. It seems to me you are putting your finger on the problem of balancing the current impact on demand, in either an inflationary or flabby economy, versus the interest in getting a longrun improvement in productivity and expansion of the country's capacity.

What you have to look at as the year wears on is where the sluggishness is in the economy, if there is sluggishness; where the ebullience is in the economy, if it's ebullient. This is the current demand side of it.

If the sluggishness is in consumption, then it might not be very sensible from that point of view to restore the investment credit as a stimulant. You might rather say lower the surtax or postpone the surtax. And then you have this intermediate consideration of possible overcapacity weighted against the need for modernization.

These things all have to be weighed together, and I agree that you can be in a situation where it may turn out at midyear or even at the end of the year, leaving aside the air-pocket problem, to be desirable to extend the suspension rather than to end it early. But that does depend very much on the set of circumstances as they develop, and I think we just have to keep an open mind.

It also depends on what you do with the rest of the package. It is possible you would want some increase in the corporate income tax and restoration of the investment incentive, if the combination of developments in the economy made that a good fit.

Representative REUSS. And that fragility of the investment tax credit philosophy makes one wonder if we really were right in saying, "All right, we are going to imbed this into the tax structure," back in 1962. That is what we implied, and that is what caused Secretary Fowler so much honest anguish.

Mr. HELLER. Absolutely.

Representative REUSS. That was last year. That is why he doesn't go for its repeal and suspension until September.

Mr. HELLER. But I think you may know, Congressman Reuss, that when the economists who first thought of the incentive in that form originally developed it—they explicitly suggested, people like Richard Musgrave and E. Cary Brown and others—they explicitly suggested that it would be an excellent instrument in the arsenal of stabilization.