

Representative RUMSFELD. For clarification, I would like you to comment on this. Do you believe that business investment in modern efficient machinery leads to more or less employment, and No. 2, to lower or higher wages, and No. 3, to lower or higher prices? Doesn't a low level of business investment result in economic stagnation?

Mr. GOLDFINGER. You have to view business investment in relation to the economy as a whole: you have to look at it in relation to demand, to the demand for goods and services.

Representative RUMSFELD. I am assuming it is prudent investment.

Mr. GOLDFINGER. If businessmen invest in new plant and equipment in response to rising demand at a sustainable level, pretty much in line with the rise in demand, such investment is obviously a good thing. It adds to the demand for goods and services from the business sector. It helps to increase the rate of productivity advance. It also helps to reduce unit costs or at least to stabilize unit costs.

However, this economy is replete with a history of booms and busts in capital goods investment. Most recently, we had the capital goods boom of the mid-50's which wound up in the bust of 1958-59 and the stagnation that persisted for years thereafter.

This is wrong. This is the kind of thing which we fear because it is far beyond anything sustainable.

The AFL-CIO is not opposed to business investment. The AFL-CIO is for a sustained rise of business investment. Moreover, sir, I believe that in the long run we would have more business investment and a higher rate of productivity, if we were to do this on a sustained basis with business investment moving up steadily in relation to rising demand for goods and services.

Representative RUMSFELD. So in answer to my question, it is that business investment amounts to nothing.

Mr. GOLDFINGER. In itself.

Representative RUMSFELD. Unless it's on a sustained, steady basis.

Mr. GOLDFINGER. In relation to the demand for goods and services, yes, sir.

Representative RUMSFELD. Correct me if I am wrong, but from your testimony is it fair to say that your general description of the state of the U.S. labor force in our economy today is unfortunate, poor, and that you are clearly dissatisfied with it from your statement? Is this a reasonable interpretation?

Mr. GOLDFINGER. Let me try to restate my point here.

Representative RUMSFELD. You gave a great number of statistics.

Mr. GOLDFINGER. Yes.

Representative RUMSFELD. Showing how they have not kept pace.

Mr. GOLDFINGER. Let me restate what I was trying to say. In the first place, I pointed out that as a result of the expansion of recent years, the real volume of national output rose. Employment increased by about 2½ percent a year. Unemployment dropped by eight-tenths of 1 percent a year.

Representative RUMSFELD. Mr. Goldfinger, I followed your testimony.

Mr. GOLDFINGER. But all of this is on the plus side. What we are saying and what I tried to say very strongly is that the vast majority of wage and salary earners did receive gains and improvements during this period of expansion but they received less than a fair share of the gains.