

*I was convinced that government meant what it said*—that its proposal was to be a permanent part of the tax structure—that it was dedicated to support through tax policies *constant* modernization of our industrial plant and equipment.

I was gratified and reassured when this aspect of the investment credit was clarified and the permanency feature documented by assurances to Congress and the business community by top Administration spokesmen. Although there were dissents, Congress acted in accordance with these assurances and the investment tax credit was enacted in 1962.

The long-range commitment of government in respect to the credit was further buttressed when in 1964 the credit statute was liberalized by the repeal of the basis-adjustment amendment. This action further reassured me that *government meant what it said*. And finally, government through official pronouncements frequently reminded me of the favorable effect the credit was having on my company, industry, and the economy at large.

*The shock of credit suspension.*—Then in 1966 my company and its management—and I believe industry at large—were given a rude shock!! Suspension of the credit was proposed and enacted. Some of the same spokesmen who previously ridiculed the idea of manipulation of the credit for contracyclical purposes now openly advocated it. Others who supported suspension didn't fully embrace contracyclical manipulation but said the suspension would be an extraordinary exception to the permanency commitment and at least implied that it probably wouldn't happen again.

My state of confusion and disappointment later was compounded by the impression created by the Administration that the January 1, 1968, reinstatement date was not firm in the Administration's mind; indeed, it was suggested that maybe it ought to be moved forward or extended depending on economic events. Further, being a practical businessman, I anticipated even greater uncertainty as we moved closer to the reinstatement date. How should I plan in the face of this uncertainty? And thinking beyond my problems, how could my suppliers of equipment expect me and their other customers to act during the 6 to 9 month period preceding the scheduled reinstatement date? Needless to say, these uncertainties had never plagued me when I looked upon the credit as a permanent part of the Code.

*Credit caught in vagaries of contracyclical manipulation.*—But there seems to be no end to my uncertainty or bafflement. For now I have been reading newspaper accounts—and some full texts—of statements made before this Committee by Administration spokesmen and advisers such as Mr. Walter Heller, the former Chairman of the Council of Economic Advisers. These statements clearly give the impression that government is attempting to engage in "fine tuning" of its tax and economic planning. Government wants to wait until midyear 1967 and see what the economic indicators say—or what they think they say. Government might even wait longer. It is suggested by Mr. Heller that if inflation resumes the credit should not be reinstated; and if operating rates in most industries are well below preferred rates that might also be a negative signal against credit reinstatement.

*Impact on business psychology and corporate planning.*—I must speak frankly at this point. No businessman, including me, can operate effectively with this kind of uncertainty. Corporate planning for capital investment is dealt a terribly serious blow. Moreover, I can't believe that government can expect to execute such "fine tuning operations" successfully and with beneficial overall results. I don't believe that the record of the last 12 to 18 months evidences that government economic planning is infallible; quite the contrary.

*The proposed 6 percent surcharge.*—But the picture is even more confused and muddled and intelligent corporate planning is even more hobbled. In his State of the Union Message, the President advocated a 6 percent surcharge on corporations and individuals. The Administration proposed midyear enactment on the basis of an economic forecast that the first half would be soft as compared with 1966 and that the second half would pick up to an important extent. This is qualified by some current statements by government officials that in effect the Administration wants to "stay loose," is not irrevocably committed to the 6 percent surcharge, and will reexamine the question toward midyear. It is understandable that government would want to take such a "second look" and economic trends may preclude the tax increase. The sequence of events and the atmosphere of economic manipulation, however, discourage sound corporate planning to a serious degree.