

the 6-percent surcharge, would further impinge on the ability of American business to operate in a dynamic fashion, to provide jobs, and to maintain a strong industrial base in this country.

The point of this broader review is to emphasize to the committee that the action to suspend the investment tax credit, and the present hiatus with regard to its status and the uncertainty as to reinstatement, take on even more serious implications when viewed in the light of other developments limiting the resources, the flexibility, and the strength of business.

SPECIFIC RECOMMENDATIONS AS TO CREDIT REINSTATEMENT

We have suggested above that the credit should be promptly reinstated; Government should not wait for the January 1, 1968, cut-in date, action should be taken as to the credit on its own merits and separate from congressional consideration of the 6-percent surcharge, if indeed that surcharge should be considered at all.

Turning to the latter point first, as we have repeatedly pointed out, the investment credit was proposed and enacted as a permanent part of the tax structure to facilitate long-term growth of the economy. It does not lend itself to contracyclical manipulation. It should be treated separately from any rate changes to meet war or other emergency conditions and should be undertaken on its own merits. If there are political problems involved in such separate treatment we are sure the administration has the courage and statesmanship to face up to such political complications.

We should not adhere to the January 1 reinstatement date for several reasons. It is our strong feeling that suspension was a mistake in the first place; in correcting that error there is no point in waiting for the present statutory reinstatement date. Furthermore, economic indicators point to the need for immediate rather than delayed action.

Finally, as to the mechanics of the reinstatement, there are several alternatives, but only one clear-cut practical solution. In the spirit of full correction of a mistake and in view of administrative difficulties in merely moving the suspension date forward, the suspension should be retroactively revoked to the original suspension date, October 10, 1966. Moving the date forward will merely retime the administrative problems of restoration including the air pocket in new orders. Other alternatives such as provision for partial retroactivity or the immediate termination of suspension are conceivable. The latter would call for an earlier reinstatement date such as the date of introduction of a bill or an earlier date set forth in the bill itself. But this technique is not as clean and forthright as complete and retroactive negation of the suspension back to October 10, 1966. Further, if the administration should immediately make a recommendation in line with our suggestion, even the fastest possible congressional action will involve some delay; and every day's delay compounds the problem and the economic risk.

This concludes the comments of the Institute to the Joint Congressional Economic Committee with particular reference to the investment tax credit, its suspension, and reinstatement. In a separate presentation, MAPI offers some general comments on certain other