

ments for medicare." Neither of these areas directly affect the bulk of small business.

Fourth, the Council anticipates that employment (now at the "full" figure) should remain essentially the same as in 1966. It is interesting to observe the affects felt by small business while employment, in 1966, was building to its present levels. Among the 8,283 responds to our survey in January 1967, 59 percent stated that in order to hold needed employees, as well as to secure the services of additional employees, it had been necessary for them, during the past 12 months, to increase their wage scales by 5 percent or more (some far more than this).

In connection with the foregoing, in May 1966 we analyzed responses received from 7,246 members to a question whether they expected to be affected by the then proposed (and now coming on stream) increases in the Federal minimum wage and its coverage. Some 55 percent of our respondents, particularly in the South Atlantic, the East and West South Central, answered "Yes."

In other words, increasing labor costs have been, are, and are likely to continue contributing to the squeeze on small business.

Fifth, in what has been obviously an effort to compensate for rising costs through purchase of new equipment, a high (though steadily declining) percentage of our members in 1965 and 1966 indicated purchases in this area. These same members used the 7 percent investment credit heavily. In fact, of the 48 percent of our January 1967 respondents who indicated equipment purchases during the past year, 80 percent indicated that they had used the credit. The average tax saving reported amounted to \$873.

As you know, Congress in October suspended the credit, at least to December 31, 1967. It is true that in so doing it provided an exemption for the first \$20,000 of equipment purchased. This is certain to be helpful. It must be pointed out, however, that indications are that in manufacturing many purchases appear to have been in excess of this figure. The same appears to have been the case in the depressed contract-construction industry. For the length of suspension of the full credit, therefore, there is bound to be higher than former costs to independents needing to modernize.

Sixth, in its report the Council implies hope that action to ease the pressure on money will act as a stimulus to the economy. There is no question but that to a certain extent it will. However, we would point out that even in 1965, when as the Council says, Federal Reserve policy permitted a sufficient expansion of credit to accommodate expanding demands for funds at only moderately rising interest rates, independents in some parts of the country were paying as much as 6.9 percent interest. Obviously, even action to ease the pressure on money, while helpful, would far from resolve the financial pressures on independents.

Frankly, study of the trends pointed up by our indicators, study of the President's recommendations, and reflection on the conclusions reached above, suggest strongly that small business has been all but overlooked in current economic planning.

If this is so, then a serious miscalculation has been made.

We have already pointed out the importance of small business as a job provider, as well as a provider of livelihood for our people. Indicators from both the 1965 and 1966 surveys show that small business,