

Mr. WALKER. I think I would recast that just a little. In referring to the words "recommend yet," I don't think that should prejudice any sort of action one way or another, or lead to an expectation that action may be coming. I think what he is saying is that we are reviewing all aspects of the tax laws just as efficiently and rapidly as we can. And that is one that we will look at. There are a number of arguments on both sides with respect to the investment credit, as you well know.

Senator SPARKMAN. I am glad to hear you say that, because I don't believe I agree with my friend, Henry Reuss, with reference to it, at least not all the way.

I would like to mention this——

Mr. WALKER. May I say just one more word on that?

Senator SPARKMAN. Yes.

Mr. WALKER. With respect to the investment credit it is quite clear that some economists believe appropriately timed removal or restoration of this to be an effective device to manipulate interest spending throughout the business cycle. Removal was attempted, somewhat abortively, in 1966, and credit had to be quickly restored. On the other side of the coin, the basic argument made by President Kennedy and Secretary of the Treasury Dillon in proposing the investment credit was that it was a fundamental type of tax reform that wouldn't be turned on and turned off too much—otherwise it tends to be diluted as a device to promote capital formation.

Senator SPARKMAN. I would certainly agree with you on that. I think it is well to keep in mind how the investment credit came into the law. I believe the first recommendation that was made by a congressional committee was made by the Senate Small Business Committee in the early part of 1953. It was the result of a study that had been made during 1951 and 1952. And it was proposed that an investment credit be allowed small businesses that were not able to replace their equipment as readily and easily as companies that had a good, strong capital background. And it was wrestled with for several years. Finally it was written into the law in the form that it is now, 7 percent across the board, without any distinction as to small businesses or big businesses. I certainly agree with you about turning it off and turning it on. I think it ought to be a steady policy whatever it is. And I hope that in consideration of it it may be kept in mind that it is something that means a great deal to small businesses. I don't know whether it would be feasible to make it applicable to small businesses alone or not. Certainly when it was finally agreed to it was not restricted to small businesses, but was made applicable across the board.

Now, another thing. I understand——

Mr. WALKER. May I make one more comment, Senator?

Senator SPARKMAN. Yes.

Mr. WALKER. I say we will review this, and I don't want to prejudge any conclusions. But I will say that I personally, ever since its introduction in 1961, supported the investment credit—to the objection of some of my employers at that time. It wasn't received well initially in the industrial, business, financial, or labor communities, as a matter of fact. But my own personal opinion is at this stage, subject to refutation on the evidence, that it has been a highly effective device to promote the longrun investment that really supports economic growth.