It will be seen that for sole proprietorships a very large proportion of the tax, about 99 percent, was paid by businesses that could be called small businesses. If one compares this with the statistic from Table 1 that the investment credit for proprietorships for 1965 was approximately $285 million, it follows that for sole proprietorships the investment credit was approximately 10 percent of the tax.

Corporations on the other hand were predominantly in the large business category, and it will be seen, by comparing Tables 1 and 2, that for corporations as a whole the investment credit in 1965 was approximately 5 percent of the tax, smaller than the credit-to-tax relationship for sole proprietorships. Part of this result follows from the fact that the effective tax rate on proprietorship income is in the neighborhood of 10 percent, while it is in the neighborhood of 40 percent for corporations. The credit is relatively larger for corporations in relation to their income but relatively smaller in relation to their tax.

For corporations we can also get a picture by comparing tax and credit by size of assets. Corporations with assets below $1 million (i.e., "small" businesses) received $189 million of investment credit in 1965 and paid corporate taxes of $3,077 million. The credit averaged about 6 percent of the tax. For all larger corporations the credit was $1,527 million and the tax was $28,585 million. Thus, the credit was slightly over 5 percent of the tax.

No data are available to make a direct comparison of tax credits and business size for partnerships and subchapter S corporations. This is because the data, as to the use of the tax credits against tax, would be reflected in the returns of the partners and the shareholders of subchapter S corporations, and those returns could not readily be associated with the size of the partnerships and the subchapter S corporations.

Chairman PATMAN. Mr. Moorhead?

Representative MOORHEAD. Thank you, Mr. Chairman. Mr. Volcker, while in Europe at the OECD meetings various statements were attributed to you, by the press, concerning your position on more flexible exchange rates as one alternative for meaningful international monetary reform.

Mr. VOLCKER. There is a multiplicity of particular kinds of proposals, as you know.

Representative MOORHEAD. At one point you were quoted as saying that the study of flexible exchange rates would be limited to "academic circles." However, other officials in the adminstration, notably in the CEA of the Treasury, said that they are indeed pursuing studies of flexible exchange rates. So I would like to give you this opportunity to set the record straight.

Mr. VOLCKER. That was not the connotation at all that I wanted to leave. And I want to correct any interpretation of the record that indicates that I consider academic life some sort of purgatory.

I think the fact is that with respect to these kinds of proposals— the wider band kind of thing to which you are referring—our position is—and I do not think there is any disagreement among any of us on this point—the same as it is toward a number of other proposals of like character. We want to look at these with an open mind. There are a lot of technical problems with that particular proposal, as there are with most, and I do not think any of us think there are any magic solutions in these areas—that we can seize upon any of these devices and our problems will somehow go away. I do not think that is possible at all.

But on the other hand, I think some of these proposals or some combination of them, may make a contribution toward a more effective functioning of the international financial system. I think they all need more study before we are going to be able to arrive at any position on any of them.