Senator SPARKMAN. Thank you, Mr. Chairman.

Chairman PATMAN. On what Mr. Romney said, of course, organization is all right but don't you think allocation of credit is more important?

Senator SPARKMAN. I think we have a lot of things to do but my thought is we set the goal and we ought to aim for the attainment of it.

Chairman PATMAN. 26 million in 10 years.

Senator SPARKMAN. Yes, and whatever was set for this year.

Chairman PATMAN. All right.

Mr. Conable?

Representative CONABLE. Thank you, Mr. Chairman.

Gentlemen, I think it is generally conceded that the capital investment is going to be possibly as much as double this year what it was last year; isn't that right? Something like 4.7 percent last year, and close to 8 percent this year.

Mr. SUITS. Those were the early figures. In making my projection I have tempered that somewhat.

Representative CONABLE. It still is going to be substantially higher.

Mr. SUITS. Oh, yes.

Representative CONABLE. Is this largely the result of a banana-republic psychology? Really, this is not an auspicious time to increase our productive capacity, is it, generally?

Mr. SUITS. Oh, yes; I think it is.

Representative CONABLE. It is?

Mr. SUITS. This is one of the internally self-generating components of high prosperity, that when we get utilization rates on existing equipment very tight we simultaneously generate the need for additional facilities and, at the same time, provide a flow of funds in retained earnings.

Representative CONABLE. But doesn't a certain amount of this reflect the assumption that it is going to cost more to have capital expansion later?

Mr. SUITS. I am sure that some of it does, but how much I am not sure. One can point to the fact that when you have low rate of unemployment such as we have now, additional calls on industry for output have to be made through higher labor productivity, and this means capital investments. So while it would doubtless pay a firm to do it now rather than sometime later, I don't think that is the primary consideration.

Representative CONABLE. Have you considered at all whether anything should be done with the 7-percent increase in investment tax credit?

Mr. SUITS. No.

Representative CONABLE. Certainly the capital goods area is one of the so-called superheated areas in the economy generally. You don't consider this abnormally high and, therefore, you wouldn't consider any remedial action on the part of the Government in this respect?

Mr. SUITS. Not specifically, at this moment.

Representative CONABLE. I think you have something to add?

Mr. PERRY. I do have a somewhat different opinion. It seems to me that as you look at where we might restrict demands, the capital goods area is a good candidate for taking some of the burden this year. I don't know whether removing the investment tax credit is a feasible proposal at this time. But this is the kind of year, in my opinion,