MACHINERY AND ALLIED PRODUCTS INSTITUTE

By Charles Stewart, President

The institute is always privileged to receive an invitation from the Joint Economic Committee to submit comments on the economic issues which concern the Nation and private business, including the capital goods and allied equipment industries which we represent. In responding to such an invitation, we try to give central consideration to our view of the public interest as well as attempting to underline problems and opportunities affecting our sector of the economy.

The Inflation Dilemma

We have delayed our response until we could make available to the committee a very timely, and we feel quite informative, economic study conducted by Research Director Terborgh of the institute as a part of the total research effort of MAPI. This study is entitled, "The Inflation Dilemma." It is presently being printed as a pamphlet but we thought that the committee would appreciate having access to an advance copy in mimeographed form.

The study speaks for itself but it might be useful to call the attention of the committee to the central point in the conclusion to the document which is stated by Mr. Terborgh as follows:

> A final comment on our present predicament. If we are right that the principal inflationary dynamic of the past few years has been rising labor costs, if exhortation has failed to restrain them, and if direct controls are out, only one effective remedy remains: relaxing the labor market. So long as we continue to have a drum-tight market in the major wage-determining category—adult males—the chance of slowing down the advance of hourly compensation, and with it the advance of prices, is slim.

I commend this study to the readership of the committee.

Investment Tax Credit

The Joint Economic Committee has consistently expressed interest in the investment tax credit, and during the recent hearings this matter was again raised, at least during periods of interrogation. The institute has given extensive study to the investment tax credit and supports it unequivocally as a permanent part of our tax structure. Moreover, our study work and the 1966 experience with attempting to use the investment credit as an economic control device, in our judgment, demonstrate conclusively that the investment credit is totally unsuitable for manipulative application as a device for economic control purposes. We submit for the record *Capital Goods Review* No. 67 published in September 1966 entitled "The Investment Credit as an Economic Control Device." We suggest respectfully that we should learn from the lessons of the past and the 1966 experiment with manipulation of the investment credit was a debacle and should not be repeated. Also in this connection, we call your attention to the statement