

submitted by the institute on March 31, 1966, to the Subcommittee on Fiscal Policy of the Joint Economic Committee entitled "The Investment Credit—The Case for Its Permanency." A copy of that statement is attached with the conviction that the central points underlined in that presentation are just as valid today as they were in 1966.

Extending one of the points referred to in the earlier MAPI presentation on the investment credit, the committee we are sure is sensitive to the fact that U.S. industry has been confronted for an extended period with a terrifically steep trend upward in the index of labor cost per unit of output in manufacturing. From a low of 98.6 in July of 1965 (1957-59=100) the index has increased to 112.9 in January of this year which is the latest month for which figures are available. The only way in which American industry can meet this cost-push inflation is through modernization and the investment credit is an extraordinarily important tool to facilitate the process of modernization in U.S. industry.

Finally, as to the investment credit, we are gratified to note that in remarks before the Business Council on Friday, March 21, the Secretary of the Treasury made the following statement:

We have no plans for tinkering with the investment tax credit. Congress intended the credit to be a part of the regular tax system, and not a device for stimulating or slowing the economy. Moreover, the credit has been highly effective in encouraging the longrun investment that creates additional jobs and income.

CONTROLS ON FOREIGN INVESTMENT

Turning to another area of public policy; namely, controls on U.S. direct foreign investment, it has been the consistent position of the institute since these controls were first placed in effect in January 1968 that the basic policy decision was a national mistake and that the structure of controls implementing that decision is wholly unsound. In this connection, we submit for the record a copy of a letter addressed by the institute to President Nixon dated January 7, 1969. MAPI is presenting a current statement on the subject of foreign investment controls to the Subcommittee on Foreign Economic Policy of the House Committee on Foreign Affairs in public hearings tomorrow, March 27, and that presentation is, of course, available to the members and staff of the Joint Economic Committee.

TRENDS IN CAPITAL GOODS

By way of helping to give the committee a broader perspective with respect to developments in the sector of capital goods, we refer the committee to George Terborgh's recent analysis of the behavior of the capital equipment industries over the last decade. It is published in the form of *Capital Goods Review* No. 77, March 1969, copy enclosed. As the committee will note, this decade shows a remarkable stabilization of the orders-shipments ratio for capital equipment. In other words, there has been for this extended period of time a comparatively orderly behavior of equipment demand and a generally excellent response of suppliers representing a remarkable and gratifying achievement for stability in our economy.

(Additional materials offered by MAPI for inclusion in the record follow:)