being averages of fourth-quarter and first-quarter figures. The figure for 1968 is the change from the fourth quarter of 1967 to the fourth quarter of 1968. To get the contribution of these intrayear margin changes to price changes, we related profits directly to the corporate gross product for the year in question rather than to corporate costs.

Average hourly compensation data are not available for the corporate sector separately. Accordingly, we used the intrayear percentage changes for the total nonfarm private sector, described in appendix A. Each change in this series was reduced by 2.8 percentage points, the average increase in man-hour output for all persons in the private nonfarm sector during the decade 1959–68, as estimated by the Department of Labor. To get the price effect of the percentage increases in average hourly compensation, thus reduced, we applied to them the ratio of corporate employee compensation to corporate gross product for the year in question.

Machinery & Allied Products Institute—Capital Goods Review

THE INVESTMENT CREDIT AS AN ECONOMIC CONTROL DEVICE

In the election campaign of 1960, both presidential candidates expressed dissatisfaction with the progress of the American economy and a determination to accelerate its future growth by providing additional incentives for business investment.

The nature of this concern is evident from the remarks of Secretary of the Treasury Dillon in presenting the first incentive proposal of the new administration the investment credit:

> "As we look back over the past century we see that our record of economic growth has been unmatched anywhere in the world. But of late we have fallen behind. * * * In the last 5 years Western Europe has grown at double or triple our recent rate and Japan has grown even faster. While there is some debate as to the precise annual growth rate of the Soviet economy, CIA estimates that their GNP grew at a rate of 7 percent in the fifties. Clearly, we must improve our performance, otherwise we cannot maintain our national aspirations. The pressing task before us, then, is to restore the vigor of our economy and to return to our traditionally high rate of economic expansion and growth. I am confident this can be accomplished. But it will require a major effort by all of us.
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> "I have been impressed during recent travels abroad by the great progress our friends overseas have made in reconstructing their economies since World War II and by the highly modern and efficient plants they now have at their disposal. * * * All the information we have indicates that their plant and equipment are considerably younger than ours. Although this difference reflects the rebuilding of the shattered European economies, I think it is important to emphasize that it was due in good part to the vigorous policies of the European governments. Tax incentives for investment played a significant role, including accelerated depreciation, initial allowances and investment credits." [1]

[1] Testimony of the Secretary before the House Ways and Means Committee, May 3, 1961.