served by capital goods producers. Finally, from the original conception of the credit, the institute has studied it closely.

We turn first to a brief discussion of the investment credit in relation to the goals of our economy.

Goals—One theme with different arrangements

After 20 years under the Employment Act of 1946 its goals of "maximum employment, production, and purchasing power" have come to be generally interpreted as full employment, economic growth, price stability, and balance of payments equilibrium. Since it is impossible to maximize everything at once—and since conditions change as well—the individual goals have been given different priorities at different times. Currently, the goal of stability is receiving the most attention and, because of this, there is a strong tendency to analyze and pass judgment upon a particular measure only in terms of its contribution (or lack of it) to this one goal. We make two observations in this connection:

1. There is a great danger that in attempting to avoid inflation and maximize price stability we will sacrifice the progress we have made in achieving present levels of full employment, economic growth, and balance of payments equilibrium.

2. The investment credit has played—and can continue to play—a major role in achieving the essential economic goals of full employment, economic growth, and balance of payments equilibrium. Further, it is not without merit in its contribution to reasonable price stability as well.

The positive role of the investment credit

The rationale of the credit.—In the current dialog on the investment credit it is frequently overlooked that there was a basic and longrun consideration in enacting the investment credit upon the recommendation of President Kennedy. This was brought out at the time by then Secretary of the Treasury Dillon in testimony before the House Ways and Means Committee: [1]

"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 1950's. 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.

"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 shat-

[1] "President's 1961 Tax Recommendations," 87th Cong., first sess., May 3, 1961, pp. 21, 22.