to the effect of anticipated changes in the credit on the behavior of industry.

Frequently the arguments in favor of suspending the investment credit seem to assume that success or failure in the fight against inflation turns on this single proposal. This obviously is not the case. The Tax Adjustment Act of 1966, the increase in social security and medicare taxes which went into effect in January of this year, and the recent action of the Federal Reserve Board in raising the discount rate all have a restraining effect—both directly and indirectly—on capital expenditures and have not yet attained their potential impact. In addition, the supply of corporate funds will be adversely affected by the passing of the postwar boom in corporate tax depreciation, and the prospect of a deteriorating relation between capital requirements and financial availabilities.

The great economic challenge to the United States today remains the achievement and maintenance of the most modern technology and industrial plant in the world. It is only in this way that we can conserve the progress we have made, protect our national security and our international competitive position, and insure the highest level of job creation.

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This concludes our comments on the role of the investment credit in the economy and its appropriateness as a countercyclical device both in the current economic context and as a general principle. We should like to express again our appreciation of your kindness in permitting us to present the views of the institute on this subject. If the institute and its staff can be of assistance to the committee in its studies we hope you will not hesitate to call on us.

Respectfully,

CHARLES STEWART, *President.*

MACHINERY & ALLIED PRODUCTS INSTITUTE,
Washington, D.C., January 7, 1969.

Hon. RICHARD M. NIXON,
President-elect of the United States,
New York, N.Y.

DEAR MR. NIXON: In your letter to me of October 3, 1968, you expressed the opinion "* * * that the imposition of arbitrary controls on foreign investments is harmful to our Nation's long-range interests * * *. My administration will welcome comments and suggestions in this vital area from leaders of finance and industry, like yourself, who have a working understanding of these problems." Acting upon that suggestion, we advance herein for your consideration a number of recommendations concerning the present foreign direct investment program.

As you may know, the Machinery & Allied Products Institute is a national organization of capital goods and allied equipment manufacturers. The membership of the institute's executive committee appears on this letterhead. The machinery and transportation equipment industries represented by MAPI have an immense stake in for-