247

Liberal Senators, like Hubert Humphrey, and the AFL-CIO, propose instead an individual income tax cut giving emphasis to lower bracket rate reductions. Most arguments on both sides, declare a tax cut is desirable to prime the stagnant economy and forestall a threatening recession. The business idea is that with more after-tax profits, there will be more investment, stimulating the capital goods industries, which are the most stagnant. The labor-liberal argument is that there is already overcapacity; what is needed is to raise consumer purchasing power to stimulate production. (42)

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THE PRESIDENT echoes the big business view: "The consumer purchasing power has held up. What has been particularly disappointing has been investment, and we have to consider whether a tax cut, and if so, what kind of a tax cut would stimulate investment if that becomes our need."

An immediate Chamber of Commerce-type cut is held up by (a) hesitation of many Congressmen to vote it before the elections; (b) the opinion of some [illegible] (c) the fears of some of two [illegible] an increased deficit. But the delay to January may be cancelled right now if the economic panic signals are flashed. 110

4½

(14)

The big business-Administration argument is wrong, and labor's argument correct, so far as it goes. The financial journals concede that tax cuts already granted have not, and those pending are unlikely to, positively affect capital investment much. There is plenty of after-tax profits — a record amount. The critical lack is any sphere for application of expanded capacity, at home or abroad.

65

(85)

(268)

8 words a sentence

8 sentences = 1 inch

120