The economic activity rate in the United States is at an alltime high level, but it is rising only slowly. The total value of goods and services produced in the country in the second quarter of 1962 was at an annual rate of $552 billion, compared with $519 billion for the year 1961. In terms of constant prices, that is, the physical volume of goods and services, the second-quarter level of output of the economy was up 0.7 percent from the first quarter—and, gentlemen, that is almost 3 percent per year—and up 5.1 percent from the 1961 average. And, gentlemen, the 1961 average was the previous alltime high.

The principal gains are occurring in the rate of consumer spending for goods and services, and in construction. Government purchases of goods and services also rose in the latest quarter, and at a rate somewhat higher than the rise in consumer spending. You gentlemen know that Government purchases include State and local purchases as well as those of the Federal Government.

The business inventory accumulation rate in the latest quarter was down significantly from the first quarter rate, but it was at a reasonable level, after being relatively high in the last quarter last year and the first quarter of 1962.

And I call your attention to the fact that that decline in the rate of inventory accumulation had a significant effect on the total change in the gross national product. In other words, final consumption went up even more from the first to the second quarter than the gross national product indicated, because the rate of accumulation of inventories went down.

While we all would like to see the operating rate of our economy at a higher level, the fact still remains that the rate in the latest quarter was at a record high level.

The rate of industrial production in the country in the second quarter of 1962 was also at a record high level, up 2 percent from the first quarter, and up 7 percent from the 1961 average.

The 1961 average was the alltime record high annual average.

Principal gains in production over the past year have occurred in durable goods, where the mild recession of 1961 was largely concentrated. The principal output gains from the low point last year to the latest quarter occurred in primary metals: that is, steel, aluminum, and other metals; machinery; and transportation equipment. And of course in transportation equipment, the big item is automobiles, having an unusually good year. There were also significant output gains over this period in several industries producing nondurable goods, particularly textiles and apparel, paper and products, chemicals and products, and rubber and plastics products.

The production rate of the American economy in 1962 will approximate closely the value indicated by the trend of its growth over the past 11 years; that is, starting in 1951, as may be noted from the attached charts.

Whether we look at the gross national product in terms of constant prices, that is, the physical volume of goods and services, or at the