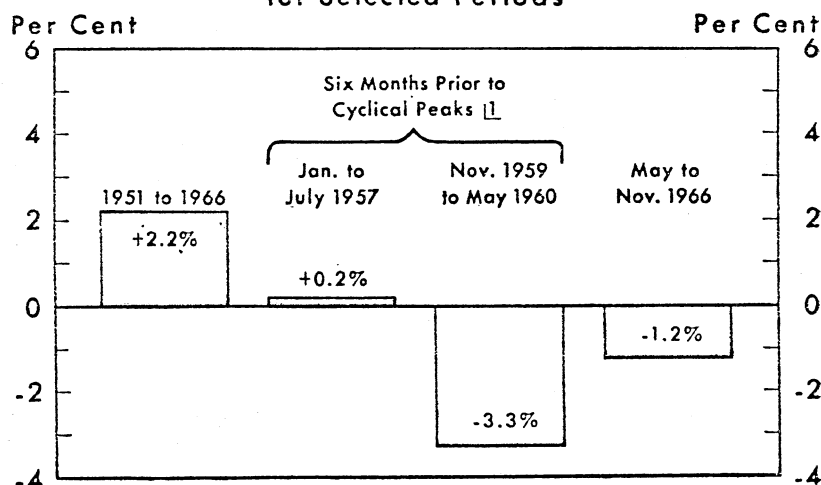


There were some evidences, however, supplementing the formal budget measures, that the Government may have been a little less stimulative in late 1966 than in the previous year. New orders for war materials were probably not rising so rapidly relative to deliveries as in the earlier period. Late in the year the 7-percent investment tax credit and accelerated depreciation benefits were withdrawn, making private investment somewhat less attractive. In November the Treasury replaced maturing securities with 5-year obligations, reducing somewhat the liquidity of the public. At the beginning of 1967 another increase in social security tax rates is scheduled.

The nature of our productive process may have contributed to a slowing of aggregate demands for goods late in the year. During 1965 and early 1966, as demands for goods of the producers of final products expanded, derived demands on the suppliers of these concerns rose even more sharply. The suppliers not only had to produce materials for the products which were ultimately sold but also to provide the final producers with inventories and other investment goods to expand. When many final producers reached capacity operations in 1966, they had to slow their rate of expansion even though final demand continued in excess of capacity. The slower growth in real output of final producers meant an actual reduction in both dollar and effective demands for materials from some suppliers.

Changes in Money Stock

for Selected Periods



[1] As defined by National Bureau of Economic Research.
Percentages are annual rates.