

The CHAIRMAN. Mr. Ackley, let me get back to the details, if I may, of the factors that determine where we go and to what extent. Let's look at the plant and equipment expenditures first, and check and see if my figures are right.

In 1965 to 1966 these expenditures increased from about \$52 billion to \$60.6 billion. That was an increase of about 16½ percent. I remember last fall a survey that indicated in 1966 they might increase by at this point as much as 17 percent, but it actually turned out, I think, to be about 16½.

I understand that based upon anticipation surveys plant and equipment expenditure figures for 1967 is estimated at \$62.4 billion.

Mr. ACKLEY. That is right.

The CHAIRMAN. Now that would be an increase of 67 over 1966 of 2.9 percent.

Mr. ACKLEY. Roughly 3 percent.

The CHAIRMAN. Yes. The percentage increase the next quarter over the corresponding quarter last year appears to be decreasing, 6.3 percent in the first quarter to 1.3 percent in the fourth quarter. Is that about right?

Mr. ACKLEY. It looks about right, Mr. Chairman.

The CHAIRMAN. All right; does this substantial drop in percentage increase of plant and equipment expenditures suggest any concern as to inflationary pressures from this sector of the economy?

Mr. ACKLEY. No, sir; I don't think it does.

I think we are happy that the plant and equipment boom which went so far and so fast in the past 2 years has come to an end. Indeed, that was the objective of the measures which the President proposed and Congress supported last fall. As I reviewed this morning, our expectation is for essentially a plateau in plant and equipment expenditures in the next half year, and only moderate advance thereafter. This is an expectation with which we should take satisfaction rather than otherwise.

The CHAIRMAN. If we do the combination of things which are suggested in this tax proposal, insofar as the effect on profits and moneys retained after taxes are concerned, are we likely now to turn this small percentage increase in the fourth quarter into a negative figure, bearing in mind that the tax is to go into effect as of the 1st of July of this year?

Mr. ACKLEY. Mr. Chairman, the plant and equipment survey to which you referred anticipates an increase in the level of expenditures on plant and equipment between the second and fourth quarters of \$2 billion. Our own view is that we should be more conservative than that, and in the analysis I gave you this morning suggested that we were not counting on that much of an increase. If it did not occur, the gain from 1966 to 1967 would be somewhat less than the 3 percent which is now predicted.

Your question was whether the enactment of the tax increase would further reduce the growth of plant and equipment expenditures.

The CHAIRMAN. In the fourth quarter?

Mr. ACKLEY. In the fourth quarter.

The CHAIRMAN. It was in the fourth quarter that I noticed the rate of growth of about 1 3/10 percent.