Mr. ACKLEY. My answer to that, Mr. Chairman, would be that undoubtedly this would be one of the large number of factors that might have some impact on investment spending. I would point out, however, that the President proposed in January a 6-percent surcharge on corporate profit, effective at midyear. So the only new piece of information is the proposed 10 percent rather than the 6 percent. It was with this recommendation already on the books that manufacturers, and other businessmen, when surveyed last May, reported the investment plans which we have been discussing.

I would point out also that the string of advances in new orders for machinery and equipment, shown in the chart which I referred to this morning, indicate that the advance in new orders for machinery and equipment has continued, along with the heating up of the discussion of the tax increase. And I would point out that in June, the Dodge Index of Construction Contracts again shows very strong intentions by businessmen to build new plant.

With the background of the proposed tax program, with the background of lower operating rates, reduced industrial production, and so on, that we have had in the early part of this year, I think the record reflects the confidence by businessmen—demonstrated in a number of other ways, too—that indeed the economy is strong, and will remain strong, and that the tax increase, when enacted, will not throw it into a recession which would make new capital expenditures redundant.

The CHAIRMAN. Let me turn next to the index of industrial production. I believe it stood at 159 last December. I believe it was 158.1 in January of this year.

Mr. ACKLEY. Right.

The CHAIRMAN. 156.4 in February, 155.5 in May, 155.2 in June.

Now this had been declining. Will you have any expectations that this will show a sharp increase soon, and if you do, how much?

Mr. ACKLEY. Mr. Chairman, the decline in the index of industrial production is the best reflection of the drag of the inventory adjustment on our economy.

The inventory adjustment is concentrated in manufacturing—in the goods area of our economy. You can't build up inventories of services, and the drag of the inventory adjustment is clearly visible in what has happened to manufacturing production.

Even with that inventory adjustment, the decline in the industrial production index has been fairly modest. It seems to me that all the evidence suggests the fact that the inventory adjustment is substantially completed. Moreover, the evidence we already have on employment and hours, and production of specific products, also strongly suggests to me that the July index of industrial production will show an appreciable upturn.

The CHAIRMAN. What do you think it will be?

Mr. ACKLEY. I would not want to predict, Mr. Chairman, but I could easily guess on the basis of what we have seen happening to total man-hours, and to production of specific commodities, that it could be up half a point, or even a point.

The CHAIRMAN. It would not be then even back to what it was last December?

Mr. ACKLEY. Oh, no.