The CHAIRMAN. When do you anticipate that we will get back to the 159 of last December?

Mr. ACKLEY. We are getting down into a degree of detail into which I would prefer not to get. But I would certainly think that, by the end of the year, the industrial production index would be above the level of the end of last year.

The CHAIRMAN. In other words, we can be certain now that we can enact this tax increase without further depressing this production index?

Mr. ACKLEY. As you yourself have suggested, Mr. Chairman, we can never be certain. But it is surely the overwhelming probability, based on all the evidence that we have.

The CHAIRMAN. A closely related item is the utilization of plant capacity in manufacturing industries. It is my understanding that the percentage of capacity utilization was close to 90 percent, in all of the quarters last year.

Is that about right?

Mr. ACKLEY. Yes, Mr. Chairman. It reached a peak in the second quarter of almost 91 percent.

The CHAIRMAN. Yes. Now this year, however, I understand the plant capacity utilization was 87 percent in the first quarter, and 84.7 percent in the second quarter. Does this unused capacity suggest further room for utilization without fear of inflationary pressures?

Mr. ACKLEY. Yes; I think it does, Mr. Chairman. There is room for an increase in the rate of utilization of plant capacity without putting excessive pressures on our plant and equipment resources.

I think we do have to recall that this index is a manufacturing index, and therefore, subject to the same limitations as were relevant to the index of manufacturing production.

This is where the inventory adjustment has occurred—in manufacturing industries. For our whole economy, while the industrial production index declined about 2 percent from the fourth quarter of last year to the second quarter of this year, total production of all kinds, in constant prices, actually grew. Not much, but by about a half percent. And in fields other than manufacturing, output has been growing substantially. We don't have any index of utilization of capacity in these other areas, but it must have been holding up very well.

The CHAIRMAN. You don't have a fear, then, that the tax increase might further decrease plant utilization?

Mr. ACKLEY. The kind of economic outlook that I was describing this morning, even with the tax increase, would be consistent instead with some rise in the utilization rate in manufacturing.

Just as manufacturing has suffered the brunt of the inventory adjustment, so will it benefit most from the recovery. With the recent trend of new orders for manufacturing production going up each month of the past five, and already almost back to its alltime peak of last September, with manufacturing shipment rising in the last 2 months, it seems to me that the outlook is for a moderate and gradual pickup in the operating rate. I would not preclude the possibility of some further immediate decline in the rate of utilization in manufacturing. But certainly for the longer pull, an upturn is coming.