

Mr. BYRNES. Housing would rise, you say, about \$3½ billion if we reject the President's tax proposal, provided funds remain available. What will the housing situation be if we pass the tax bill?

Mr. ACKLEY. I would not think it would be changed materially within the second half of 1967.

Mr. BYRNES. You say: "Plant and equipment spending should essentially remain on its high plateau," if we have no tax increase. But you also say that "in the absence of a tax increase, it could rise by \$1 billion."

Mr. ACKLEY. Yes.

Mr. BYRNES. I am not sure that is on a consistent basis with your other predictions.

Mr. ACKLEY. With the tax increase, somewhat less.

Mr. BYRNES. Your prediction assumes no tax increase. You start your various predictions by saying: "If Congress were to reject the tax proposals" those consequences would ensue. Concerning capital spending you say: "Plant and equipment spending should essentially remain on its high plateau. But, in the absence of a tax increase, it could rise by \$1 billion."

Mr. ACKLEY. What I am effectively trying to say is—

Mr. BYRNES. Capital spending will be less if we pass the tax increase, is that it?

Mr. ACKLEY (continuing). That in either case we don't expect much of a boom in plant and equipment. With the tax increase maybe it would be a half billion dollars, maybe nothing, but in any case somewhat lower.

Mr. BYRNES. It will be less if there is a tax increase?

Mr. ACKLEY. Right.

Mr. BYRNES. In No. 5 you predict: "Given these gains and the growth of incomes they would generate, consumer spending would rise between \$16 and \$18 billion."

With a tax increase what would consumer spending be?

Mr. ACKLEY. It would be affected in the fourth quarter by the higher tax liabilities and withholding and would rise perhaps a couple of billion dollars less.

Mr. BYRNES. About \$2 billion less?

Mr. ACKLEY. I am not trying to be precise but in that range; yes, sir.

Mr. BYRNES. Well, the difference would not be too significant, would it?

Mr. ACKLEY. Within the second half of 1967 the tax increase would have only moderate effects on the growth of total spending. The more important effect would be in the first half of 1968.

Mr. BYRNES. In No. 6 you predict, again, on the assumption that Congress rejects the tax proposal, that "Inventory investment should begin its recovery, rising by \$1 billion to \$2 billion."

What if we pass the tax increase? Will that eliminate the rise?

Mr. ACKLEY. This would not depend directly on the tax action, but it would, indirectly. To the extent that expansion of plant and equipment spending and expansion of consumer spending were slowed down you might get somewhat less recovery of inventory investment.

I am not trying to make the case that in the second half of 1967 the difference would be major with or without the tax increase. Ex-