

pansion would be reduced somewhat. Instead of expansion in the range of \$29 billion to \$35 billion, perhaps it would be \$25 billion to \$30 billion.

Mr. BYRNES. Do the various figures in these predictions relate only to the last half of calendar year 1967?

Mr. ACKLEY. Mr. Byrnes, as suggested in our testimony there are estimates for the next two quarters. Perhaps that phrase is misleading. I was referring to the change between the second and fourth quarter of 1967.

I then point out that this pace of advance would accelerate in the first half of 1968 in the absence of the tax increase.

Mr. BYRNES. Other than the pace of advance in plant and equipment and in consumer spending—

Mr. ACKLEY. Plant and equipment spending, consumer purchases, and inventory investment would all be higher without a tax increase. In the case of housing, passage of the tax bill would assure easier monetary conditions, and this means stronger housing. On the other hand, passage of the tax bill and the effect on income would tend to reduce somewhat the growth of demand for housing. But this isn't likely to balance the monetary effect.

Mr. BYRNES. Thank you, sir. That is all.

Mr. ULLMAN (presiding). Mr. Secretary, when you were here before the committee early in the spring on the investment tax credit bill I asked you whether we might not be in the same situation this fall with respect to our money and interest rate problem that we were last August and September.

I don't recall what your answer was but you didn't seem to indicate any great degree of concern.

Aren't we about where we were a year ago with respect to the money supply and interest rate problem?

Secretary FOWLER. Certainly not, with regard to the money supply. The money supply and the expansion of bank credit represent a startling contrast to a year ago.

Mr. ULLMAN. Why is it that if we have this money supply situation in hand interest rates haven't come down?

Secretary FOWLER. Because there has been such a tremendous demand for credit, as I tried to outline in my comments yesterday.

Mr. ULLMAN. We are on the horns of a real dilemma and although your testimony and the testimony of Mr. Schultze and Mr. Ackley have been very instructive, I am not satisfied that we have pinned the problem down to the satisfaction of the members of the committee or to the satisfaction of the Members of Congress or the people of the country.

If the economy is not strong enough or if it is not stronger than we think is reasonably safe for the future, then I don't see how we can justify the tax increase in line with the basic philosophy that we laid down 3 years ago when we reduced taxes in order to stimulate growth.

Now, there seems to be some doubt as to where we now are in the economy. My judgment would be that the economy is strong, possibly stronger than it should be in some of its elements and therefore a tax increase might be justified; but I believe I am a minority of this committee in that judgment.