Last year my concern was—and I expressed it to you time and time again—that we were witnessing an overexpansion in the corporate segment of the economy. We were too strong by far on corporate investment. This is what created the financial crisis that caused you to take action in September which should have been taken about 3 months before because all of the flags were up much earlier.

I think that when you took action in September you generally agreed that the problem was overexpansion in the corporate segment of the economy.

Now, in looking at the tables in the back of your statement on business capital outlays I think that, for instance, in shipments of machinery and equipment we saw that rapid rise from early 1965 to late 1966, but with respect to shipments of machinery and equipment there has been very little dropoff. Is that not right?

Mr. ACKLEY. Yes; that is correct. It has been more or less on a plateau since September.

Mr. ULLMAN. And that is at a relatively high basis, is it not?

Mr. ACKLEY. It is on a historically high basis, yes.

Mr. ULLMAN. The problem in establishing this balanced economy is that we have to keep a balance between the purchasing power of the people and the productive capacity of our plant, in order to keep a healthy growth; is that not right?

Mr. ACKLEY. Yes. There is room for some fluctuation in the relative emphasis as among consumer goods, housing, plant and equipment, and Government expenditures. But essentially that is correct. We can't have large imbalances between the growth of purchasing power and growth of industrial capacity.

Mr. ULLMAN. And one of the danger signals in any economy would be an overexpansion of plant capacity; is that not right?

Mr. ACKLEY. It could under some circumstances; yes, and we were worried about that last year.

Mr. ULLMAN. And that was a great problem, was it not?

Mr. ACKLEY. It was, indeed.

Mr. ULLMAN. In looking at both of these charts on business capital outlays in plant and equipment expenditures we saw a very slight dropoff. But, according to this chart, the plant and equipment expenditures today are higher than they were at the peak last September or last October.

Mr. ACKLEY. You are referring to the shipments of machinery and equipment?

Mr. ULLMAN. I am referring to your chart on business capital outlays and you don't have it numbered.

Secretary FOWLER. I think the broken line is "anticipated."

Mr. ULLMAN. The broken line is "anticipated," but the releases of the Commerce Department as of yesterday certainly would tend to confirm that anticipated broken line, would it not?

Mr. ACKLEY. I am not sure that we have better information today on total plant and equipment expenditures. I would point out that there is a difference between the top and the lower panel. The top one includes plant expenditures. The lower one refers only to machinery and equipment, and plant expenditures have been down somewhat more in recent months than machinery expenditures.