Mr. ULLMAN. But even on plant expenditures according to this chart your judgment is that they are approximately at the same level today that they were at the peak last summer?

Mr. ACKLEY. Essentially, yes.

Mr. ULLMAN. And insofar as machinery and equipment are concerned your chart would indicate that they are even higher today with respect to shipments than they were last September.

Mr. ACKLEY. Yes, sir. Shipments were slightly higher in June than they were last September.

Mr. ULLMAN. The basis of our problem of course was the new orders. When we suspended the investment tax credit new machine tool orders dropped off rapidly. When you came before us early this year to restore the investment tax credit I questioned the wisdom of doing it and I think the only justification was the serious threat of recession in the country.

You did not prognosticate that that was the situation. You had other reasons for presenting the bill.

Secretary FOWLER. Congressman Ullman, what we were concerned with last fall and what we were concerned with this spring is a greater degree of stability in the growth of plant and equipment capacity. The cause of concern was the pace at which plant and equipment expenditures had proceeded last year up to the time of the September program, not the fact that it was increasing. It was the very rapid pace of the increase of, as I recall, about 16 or 17 percent in the year 1966 that was the cause for concern.

It wasn't, at least in my view, the level of plant and equipment expenditures that had been reached. It was the gradient or the rate of the very rapid expansion, the boom in that particular sector, that was creating an imbalance in the economy.

I think that is no longer the case.

Mr. ACKLEY. I think it is relevant to point out that the capacity of the machinery and equipment industries to produce new machinery and equipment is also expanding.

There has been heavy investment by that industry itself in equipment, so that its ability to produce capital goods has also expanded. Even though total shipments have merely leveled off, the pressures on the capacity of that industry have substantially eased. They have continued to recruit and train labor. They put into effect extensive training programs. They have expanded their own capacity by investing themselves in additional plant and equipment so that we now have the situation of reasonable balance in the machinery industries.

Mr. ULLMAN. Why can't you economists develop a meaningful relationship between proper plant expansion and the purchasing capacity of the public so that we can have meaningful guidelines to follow in exercising our tax policy?

What I am basicaly getting to, as you well know, is the balance between putting the weight of this tax increase on the corporate economy as against the individual purchasing power.

I don't know why we think it should be across the board. I don't think that it should be weighted heavier on corporations because that might be an easier political thing to do. I think that we should be able to make a judgment according to where the pressures on the economy are and whether corporate expansion is proceeding too rapidly or whether it isn't.