

inventories, if that is all you are looking at—and that is the tendency of people who are in the manufacturing sectors where the inventory adjustment has been most sharply felt—you would have some of the questions that are voiced there, based on your experience of the last 6 months.

Again, if you are looking at the scale of corporate profits and you see corporate profits decline and taking into account what was said this morning, that they seem to have bottomed out and now there is a slight increase at least in the second quarter over the first quarter, which I think puts somewhat of a new—

Mr. SCHNEEBELI. Resulting in \$200 million.

Secretary FOWLER. That is right.

But the fact that they don't keep going down which was the general expectation of a lot of people who were just looking at that side of the picture. If you read the corporate statement reports in any of the publications as they come out one by one over the last 2 or 3 months, you would have gotten, I think, the picture that corporate profits were going to plummet downward again in the second quarter.

Well, they didn't. So what I think you gentlemen have to do is to look, as we have tried to do, not at just one facet of this problem, not just at the past, not just at what happened in January, February, and March and April, but what is happening in May, June, and July, and what seems to be in the cards for the months ahead, and look at all of these particular elements in making a judgment as to whether or not the economy is going to go forward.

All I say is, I guess there are different publications, anybody can read them, but most of those I read which reflect private opinion say that it is behind us.

Mr. SCHNEEBELI. If I may refer to two others, Mr. Secretary.

The man who occupied Mr. Ackley's position 10 years ago says there is a distinct risk that a hike of 8 to 10 percent Federal surtax might bring a downturn in business, according to Raymond Saulnier. Also Mr. Martin Gainsburgh, senior vice president and chief economist of the National Industrial Conference Board, shares that same feeling as to what effect the 10 percent surtax will have on the business economy.

I would say that the letter from the First National City Bank is not localized as to any particular industry or any particular firm. I think it was trying to evaluate the viewpoints of industry in general up to this point.

Secretary FOWLER. Mr. Schneebeli, I neglected to bring—I bring too many black books, but I have one big black book back at the office reflecting the views of some of the gentlemen you mentioned and a number of others on this particular question.

Just let me say that I think when these views are all collected and in the hands of the committee, you will find a fairly overwhelming consensus, which was reflected in an outstanding business publication, Business Week, in its business outlook section as early as July 8, this comment:

By midyear economists usually have a pretty good fix on how the full year will shape up.

But right now there is still a wide spread on expectations for business in the second half of 1967. There is almost universal agreement that there will be no recession. There is also a consensus that business will pick up for the rest of the year and into 1968 also.

But there are sharp differences on the speed of the pickup and how well various areas of the economy will do.