

ment tax credit and the money situation. Next quarter, the volume of investment will be hardly bigger than it was last quarter, and then it will decline. Even when the tax credit is restored and credit gets easier and cheaper, the investment rate will not turn upward, but will continue to decline at a moderate \$2 billion a quarter or less.

Utilization rates will meanwhile fall sharply, for example by nearly 10 percent in manufacturing where capacity will be expanding 7 percent and output dipping 3 percent. A year hence, outlays will still be reflecting large capital appropriations made recently, but new appropriations will be very much smaller, and as time goes on outlays will follow them down.

Inventories. Business accumulation of stocks hit a new peak rate last quarter, about \$14 billion on Census' latest available data and a bit more on Roundup's own preliminary accounting. Cutbacks in industry are bringing the accumulation rate down now, and Roundup projects that it will drop, quarter by quarter, to zero by next summer, then turn into a \$2-billion rate of liquidation in 1968.

Construction. Since spring housing starts have dropped from a rate of 1,500,000 private nonfarm units to below 900,000. Beginning soon, and over the next 18 months, the rate should climb back to its former level. Building activity is \$8 billion down from the spring rate of \$28 billion; by mid-1968 it will still be catching up.

Public-works volume, at \$21 billion for two years, should decline a bit owing to presidential limitations on funds for highways and buildings, as well as to a lag in state and local bond financing. But in 1968 the volume should rise \$1 billion again.

Prices and wages. In the past year consumer prices and the price level in general have risen nearly 3.5 percent which is about 2 percent more than the average of previous years. In the next 18 months prices will go up less than in the past year but again more than the prior average, probably by 2.5 percent per annum, possibly, a bit more.

Wage costs, of course, have been accelerating. New contract settlements have recently been averaging around 5 percent in pay increases. These, and more of the same to come, will speed up the rise in the average factory wage rate, which already has gone up 3.5 percent in the past year.

Consumer spending. Over the next 18 months the volume of consumer purchases will go up only about half as much as the \$32 billion it advanced in the past year and a half.

Credit. The Federal Reserve already began to relax its credit policy last month, as witness the significant fall in money rates, particularly at short term, and the ease with which the market absorbed heavy new corporate flotations. The downtrend of interest rates is not apt to be headlong. And on the experience of the past two decades, they may not get back to where they were.

Exports. The U.S. export surplus hit a low last summer, a rate of \$4.3 billion, down some \$4 billion from its 1964 levels. Most if not all of this loss should be recovered by mid-1968.

Imports are the key now. They have been racing ahead, \$1 billion a quarter, in part to meet demands U.S. suppliers could not fill, but hereafter they should decline, as domestic capacity grows and home demand eases.

Senator JORDAN. Mr. Ackley, I was somewhat concerned by something else in your statement. Among the accomplishments of the past 6 years you list "Accomplished a 50-percent increase in average real farm income in contrast with a 9-percent gain in the preceding 6 years."

Upon what do you base that optimistic conclusion? It does not tie in with the evidence I get from my own agricultural State of Idaho and from the evidence of other experts available to us.

Mr. ACKLEY. Senator, these are the official figures prepared by the Department of Agriculture and, as far as I know, no one has raised serious questions about their accuracy or validity. We do not produce the numbers ourselves. They are official statistics.

Senator JORDAN. One retired official of the Department of Agriculture does not share your optimistic view of agriculture. I do not know whether you are familiar with a book put out by Mr. Frank Le