

Mr. TROWBRIDGE. I think when we get into this relativity area, we have to remember—

Chairman PROXMIRE. We still have 3 million people out of work. We are still operating below the optimum capacity for business; we are operating at 88 percent. What is the optimum capacity, about 91?

Mr. TROWBRIDGE. Economists generally say in the range of 90 to 91. This is the point where you are really bumping the ceiling.

Chairman PROXMIRE. We are below that.

Mr. TROWBRIDGE. We still are, however, with an unemployment rate of 3.7 percent as of January. There is bound to be some fluctuation in that as we move along. But I think that when I use the words "cautiously optimistic" here, I mean it.

This recognition of the high level of activity and the health of our economy is something we have to remind ourselves of pretty strongly. We are going to have some leveling off, and indeed I think we can stand some moderation, because it was pretty highly geared in the last portion of last year. Inventory accumulation was particularly strong. But it seems to me we are heading into a year where continued economic activity at a high rate is going to be seen.

Chairman PROXMIRE. My time is up. I will be back with some more questions.

Mrs. Griffiths?

Representative GRIFFITHS. I would like to ask you about the investment credit myself. Did you actually have two-tenths or three-tenths of a million orders that were not placed? Are the toolmakers still in business, still turning out tools?

Mr. TROWBRIDGE. The toolmakers are very much in business, Mrs. Griffiths. If I am not mistaken, recent press reports have indicated a slight reduction in the size of back orders, of unfilled orders. I think it was down from—don't hold me to this exactly—I recall 11 months, and down to 10. And this survey, which has been held, is not indicative fully, doesn't tell us exactly, where the decisions were deferred. I would like to ask Assistant Secretary Shaw, if I might, to comment on this point. He has a little closer knowledge of it.

Representative GRIFFITHS. I would like to hear him.

Mr. SHAW. Mrs. Griffiths, may I make two comments. First, in connection with this survey of business spending on plants, this figure of between \$2 and \$2.5 billion is an estimate made by the companies that do the capital spending. It represents the amount by which these companies stated they will reduce capital spending in 1967, as a result of the suspension of the tax credit.

My second point has to do with this problem of orders, and, if I might, I would like to read a few figures on new orders in the machinery and equipment industries. In December 1965 these new orders were approximately \$4.5 billion. Beginning with October 1966, and using figures on a seasonally adjusted basis, \$4.8 billion in October 1966, \$4.6 billion in November 1966, \$4.6 billion in December 1966.

In these figures there is as yet very little evidence that new orders have dropped off sharply—

Mr. TROWBRIDGE. In the machinery and equipment industries.

Representative GRIFFITHS. I would say that the work within those plants has dropped off even less. I was asked just the other day to