billion in 1976. Of these amounts, NPA estimated that purchases from business would increase from $52 billion in 1960 to $138 billion in 1976 and that the State and local expenditures would exceed the Federal purchases from business:

[In billions of 1966 dollars]

	1960	1965	1971	1976
Purchases from business:				
Federal	31.6	37.9	44.9	54.4
State and local	20.5	29.8	52.3	83.6
Total	52.1	67.7	97.2	138.0

These projections indicate that we can expect a product mix more favorable to small business and that the absolute and relative share of small concerns in Government purchases should progressively increase.

While encouraged by these favorable indications, we are not oblivious to certain unfavorable situations or trends which will continue to pose challenges to small business in the years ahead.

The total number of firms in manufacturing has been declining slowly over most of the past 10 years, in a period of extraordinary growth of total output. While there are some indications that the downward trend has been arrested or reversed in the past 2 years, grave problems persist for small manufacturers in major segments of the industry.

Recent studies by the Federal Trade Commission shed some new light on developments in the industry. A study of 213 categories of manufacturing revealed that the number of firms increased from 95,000 to 99,000—a growth of 4.6 percent in 16 years.

Within the groups, however, the number of firms manufacturing producers goods—where technology has had a major impact and where successful marketing is subject to rigorous cost and quality tests—the number of firms actually increased by 23.3 percent in the same period. Meanwhile, the number of firms manufacturing consumer goods declined by 8.1 percent. These widely divergent trends appear to reflect the influence of brand name and other forms of product differentiation, practiced by large manufacturers and conglomerates, powerfully reinforced by television advertising.

Dr. Blair, chief economist for the Senate Subcommittee on Antitrust and Monopoly, stated the problem succinctly in the following words:

"It would indeed be ironic if the potential for greater decentralization and stronger competition inherent in the new technologies of production were to be more than offset by the inability of any but the largest firms to make effective use of this new technology of communication."

The President and the Secretary of the Treasury, in recent statements and testimony, have pointed out the unfavorable and discriminatory impacts of inflation and the tight money market on small business concerns.

The prime bank interest rate has risen to 6 percent, in contrast to 5 percent or lower, which prevailed from March 1 ,1960, through March 10, 1966. Equal or greater proportionate increases have been registered in other rates and in public and private bond yields.