

rate in urban poverty areas fell by 25 percent and the rate for blacks in these areas fell by nearly 30 percent.

By the fourth quarter of 1969, these changes may have been reversed, indeed will have been according to the kind of forecasts that are being made today. And before inflation is slowed much, unemployment is likely to be considerably higher in these groups. While this may be an inevitable result of a necessary slowdown, the amount of individual cost that has typically been involved in rising unemployment, especially to those in the high unemployment groups, is neither inevitable nor necessary. Anything that can be done to minimize this cost will make the anti-inflation program far more acceptable. This certainly justifies adequate access to programs with additional, longer run pay-offs, such as education and training programs, for those unemployed who could benefit from them. In my opinion, it also calls for strengthening programs that openly transfer income to those who lose jobs and who do not get sufficient assistance in other ways—either because existing training or employment programs are inadequate, because they do not qualify for them, or because the existing system of unemployment compensation does not cover them or provides inadequate coverage.

Chairman PATMAN. Thank you, Professor Perry.

Professor Suits, we should be very glad to hear from you, sir. You may proceed in your own way.

STATEMENT OF DANIEL B. SUITS, PROFESSOR OF ECONOMICS, UNIVERSITY OF MICHIGAN

Mr. SUITS. Mr. Chairman, the economic outlook that I shall present today was compiled by the research seminar in quantitative economics at the University of Michigan as part of a research project supported by the National Science Foundation. I wish, in particular, to thank my able colleague Prof. Saul H. Hymans for his contribution to its preparation.

BASIC FACTORS IN THE OUTLOOK

The outlook is predicated on the projections of several basic elements.

1. The 10-percent surcharge on personal and corporate income taxes is projected to be renewed and continued in effect.

2. Total Federal Government purchases of goods and services are projected to hold at the level of the last quarter 1968 until the beginning of the fiscal year 1970, when they will rise modestly in response to prospective pay increases.

3. State and local purchases of goods and services are projected to rise at a trend rate of \$2.8 billion per quarter.

4. Monetary policy is projected at about the present level of tightness.

5. Projections of business fixed investment during the first two quarters are made consistent with investment intentions reported in recent surveys, and only small increases have been allowed for the last two quarters of the year.

6. Exports are projected to rise at a trend rate of \$.8 billion per quarter.