

tion and low unemployment are ultimately tied together in our economy. We cannot eliminate one without ultimately losing the other.

This poses a serious policy dilemma that we have so far failed to face up to. Purely global policy measures—whether fiscal or monetary, and in whatever combination—merely buy price stability with high unemployment, or pay for more jobs with higher inflation rates. Either way, somebody gets hurt for the protection of somebody else. Either way the divisive social forces evident today are further irritated. The real policy question is not how to choose among the alternatives offered by the existing trade-off between unemployment and inflation, but how to change the terms of the tradeoff itself. This cannot be done by global action, but only by specific programs designed to increase the education, skill mobility, employment potential, and employment opportunity of the unemployed worker.

Chairman PATMAN. Thank you, Professor Suits.

Professor Williams, we are glad to have you, sir, and you may proceed in your own way.

STATEMENT OF ROBERT M. WILLIAMS, PROFESSOR, GRADUATE SCHOOL OF BUSINESS ADMINISTRATION, UNIVERSITY OF CALIFORNIA AT LOS ANGELES

Mr. WILLIAMS. Thank you, Mr. Chairman.

It is indeed an honor and a pleasure to appear before this committee. I have been asked to focus my testimony on the economic outlook. In carrying out this suggestion I shall present the UCLA business forecast for the Nation in 1969, which was the first presented on December 3, 1968, and recently was revised on the basis of more recent information, particularly data for the fourth quarter of 1968.¹

Since 1952, a panel of economists at UCLA Graduate School of Business Administration has prepared an annual forecast of GNP and its components and other national economic series. More recently, when national forecasts became more common, we began to make additional forecasts for California and subregions of the State.

Our forecast presented today does not differ materially from our preliminary forecast for 1969 made last September, which in turn was much like that made in early December. I mention this to point out that we have believed for some time that the American economy would continue to expand through 1969, although at a slower rate than prevailed in 1968. We never subscribed to the concept of "fiscal overkill" feared by some following adoption last June of the Revenue and Expenditure Control Act of 1968.

Before discussing the details of our 1969 forecast, let me state two basic assumptions. First, we expect that war in Vietnam will gradually diminish in intensity. We believe, however, that total manpower commitments in Southeast Asia will not decline significantly this year, and that total defense expenditures will increase somewhat. The second assumption is that the 10-percent tax surcharge on personal and corporate income will be extended at least through 1969. Moreover, speaking

¹ See the UCLA Business Forecast for the Nation and California in 1969, Robert M. Williams, editor; contributors include: T. A. Andersen, F. E. Case, D. Eiteman, C. Ervin, W. A. Fogel, M. Granfield, C. Huizenga, E. C. Miller, F. G. Mittelbach, R. E. Moor, F. E. Norton, S. L. Rabin, D. Ratajczak, J. V. Schmidt, J. P. Shelton, P. L. Smith, J. F. Weston, and R. M. Williams.