

In order to achieve the surplus with the current set of policies that we are considering this morning, we would have to change the structure of the economy considerably. We would have to have much higher revenues or if we had such low expenditures that we got to that level we would give up many more government services than most people are wanting to give up and we would slow down the economy through lower expenditure.

It seems to me that it is much better to take the surplus or deficit as it comes out and achieve—use it as a tool for achieving our objectives which are not to have a particular number on the budget account but to have a particular employment situation or to have a particular price level movement.

Senator PERCY. Thank you very much, Mr. Chairman.

Chairman PATMAN. Senator Sparkman?

Senator SPARKMAN. Thank you, Mr. Chairman.

I want to say that I think that has been a very fine discussion this morning. We are indebted to you gentlemen, all of you, for making this presentation.

There are several things that I want to ask you about, but not at any great length. By the way, I notice in the GNP something rather interesting, the highest prediction is \$923 billion, the lowest prediction is \$914.9 billion. If you average up the four of them it gives \$918.7 billion. Who is going to be nearest right? I don't ask for any answer.

Now let me say something about the interest rates. I gather from you gentlemen that you rather expect interest rates to remain about the same as they are now throughout 1969.

Mr. SUITS. I think, Senator Sparkman, this depends on what the Federal Reserve Board does, and all we can do is look at the currents that are in the wind now. This is the posture which the Federal Reserve has taken, and I think that explains our belief that there will be a continued tight money policy.

Senator SPARKMAN. I have some rather interesting figures here on the mortgage debt. I would like to read them off for the last 5 years: 1963-64 it was \$25.8 billion; 1964-65, \$25.7 billion; 1965-66, \$21.2 billion; 1966-67, \$22.8 billion; and 1967-68, \$26.8 billion.

It has been estimated that the rise in mortgage interest rates accounted for 10 percent of the increase in the mortgage debt.

Now, if the interest rate, if we assume that the present interest rate, continues and doesn't rise further that within itself will be somewhat of a brake no inflation, will it not, so far as the mortgage market is concerned?

Mr. SUITS. Yes, sir.

Senator SPARKMAN. In other words, it would be the increase that would have the inflationary pressure.

Mr. SUITS. That is right.

Senator SPARKMAN. I notice, Mr. Perry, that you estimate an increase in housing starts, an increase of a hundred thousand. Mr. Williams has the same projection. Mr. Klein, I believe yours is given in money rather than in units. I don't find where you mention the units.

Mr. KLEIN. It is on the calculation I handed out. It is somewhat higher in the fourth quarter.

Senator SPARKMAN. Somewhat higher than a hundred thousand?

Mr. KLEIN. It is \$31 billion in the nonfarm sector. In the fourth