

We can indeed maintain both high employment and stable prices, but we cannot do it with global controls.

We must get very specific, as, for example, the question of subsidizing employment or training programs and so on.

Senator MILLER. I am glad to hear your explanation because you cover yourself by saying "if we do this"—and that is a very big "if." To me it would be a false assumption to assume that what is contained in the "if" is going to be there. Certainly it shouldn't be there.

I assume you want those objectives, and if you are not going to attain those objectives because of the "if," then you don't want the "if." I am glad that you state that you do think those objectives are attainable. If they are not attainable, then that would be a confession of defeat for the capitalistic economic system. Agreed?

Mr. SUITS. Agreed.

Senator MILLER. I would like to ask Dr. Klein why he takes such a dim view of my farmers' situation for 1969 when he says "farm prices and income will decline slightly in 1969." What is that assumption based on?

Mr. KLEIN. I will read you the numbers and you can—net farm income was \$15.5 billion in the fourth quarter of 1968 at an annual rate. We have it hovering just under \$15 billion during 1969 for the different quarters and farm prices on an index base of 100, well, 105, will go down to 104, 103.

Carryover stocks are in reasonably plentiful supply, livestock production is expanding, and the members of our forecasting group from the farm equipment sectors of the economy who conduct a very close watch over the farm economy have suggested that just a passive forecast of what they see happening, without doing anything about it, is that farm prices are going to ease somewhat over the next few months, and farm incomes will consequently be slightly lower.

Senator MILLER. Well now, as an offset against the easing of prices couldn't we have an easing of costs of production because of a slowing down in the rate of inflation?

Mr. KLEIN. Well, we could potentially but I think we are pretty well agreed that the things the farmers buy, the farm costs, are not coming down particularly because costs in the whole economy are not coming down very much.

Now, I think at this table we are talking about a national economy with something like a 4½-percent rate of inflation now, and some of us see it coming down to 3½ percent. Some of us seeing it coming down to 4 percent in the near term.

Hardly anyone here is going to predict stable prices or even a 2-percent rate of inflation.

Senator MILLER. I agree that Dr. McCracken stated as a goal of his Council having it come down to 3 percent for this calendar year.

Mr. KLEIN. I should say it is very optimistic.

Senator MILLER. Now if it did come down from 4½ this last year to 3 percent this year, in other words, if it dropped down 1½ percent, would that make enough difference in the costs of production to farmers so that you might change your assumptions?

Mr. KLEIN. That would be helpful to farm costs but I am very doubtful that that would be the crux of the matter for maintaining farm income.