countries are not confronted with severe pressures at so high an unemployment rate, is that we have an amazing lot of people whose education does not fit them for the jobs required in modern industry.

In Western Europe, the percent of illiterates is practically invisible. It is very high in the United States, and this is the reason why we reach inflationary pressures at even high rates of unemployment.

Representative WIDNALL. Professor McCracken, will you comment, please?

Mr. McCRACKEN. I think I would be perfectly willing to sign my name to what Professor Hansen has said. There is a good deal to say for the negative tax income. I suspect it has important sociological values as well as economic.

There are these collateral considerations which certainly would have to be a part of the plan—manpower training, the importance of making sure that this was not impeding the flow of workers into regular work, and that sort of thing.

Representative WIDNALL. Have you looked into the proposal made by minority Members of the House, and some in the Senate, in what is called the Human Investment Act, which would give credits?

Mr. McCRACKEN. No.

Representative WIDNALL. Tax credits to employers who go about with these retraining programs and try to keep a constant flow of people under training.

We have given this serious thought and hope this will be a possibility in the future, using resources that are available, rather than setting up vast new training centers. These people are in business already.

Mr. HANSEN. If we could get over being quite so jittery as we are about moderate rates of inflation, and push demand higher than we seem to have been willing to do, this would be a tremendous factor in getting more people into private employment where they can be trained, and this would automatically not only lower the unemployment rate, but also help to solve this problem of the unemployables whose education doesn't fit the demands of modern requirements.

So I think if we were prepared to accept something like the moderate inflation that the Western European countries have been familiar with, we would find that we would be curing this whole matter very much more rapidly than we are if we insist on having rigid price stability.

Representative WIDNALL. Do you feel that the investment tax credit is an appropriate device to use for evening out wrinkles in the business cycle?

Mr. HANSEN. Well, I have not been too sympathetic with that view, I must say. I don't think it is a very good tax to use for cyclical fluctuations.

I say this, despite the fact that it does hit at exactly the area that tends to rise and fall the most rapidly; namely, the capital goods area, and one would think therefore it would logically follow that this is the thing to hit.

But the difficulty is that there comes a time when you take it off, and a time you put it back on, and expectations arise before, and in the period in between, which seems to me makes it not a very dependable or a very flexible method of controlling the cycle. I must say, I am not very enthusiastic about it as a cyclical device.