

Senator MILLER. That does not mean that you would advocate as far as our own citizens were concerned an economy that would result in a 1½- to 2-percent inflation rate a year; does it?

Mr. BEHRMAN. It is not that I suggest that we ought to have that high a degree of inflation for domestic purposes; no. I am saying that even that high a degree of inflation I think would put us internationally safe because it would be lower than the others.

Senator MILLER. Wouldn't it be preferable just not to have any inflation at all?

Mr. BEHRMAN. Well, as an economist I like a stable price level.

Senator MILLER. Sir?

Mr. BEHRMAN. As an economist, and as a citizen, I like a stable price level. I recognize at times it may be economically desirable to inflate a little to move the economy along, but this is a policy decision which is against the principle of a stable currency; yes.

Senator MILLER. That is one thing that bothers me when you say at times it might be desirable, because to me the Federal Government can take purchasing power away from the people either by inflation or by taxes.

Mr. BEHRMAN. Yes, sir.

Senator MILLER. And I am wondering why there would be times when it would be better to take it away by inflation than by taxes, especially in light of the statement by the President of the United States that inflation is the cruelest tax of all. Why would it be desirable to use the cruelest approach of all?

Mr. BEHRMAN. Well, this goes back to the impact of monetary and fiscal policy in a situation of relative depression or of stagnation where you want to move it up, and if one of the reasons why you are having a stagnation or a slight recession is people's desire for money, just plain liquidity, then one thing you want to do is to give them that liquidity, which means an inflating in the money supply, and that itself may lead at times to some inflation just to sop up the liquidity. We see the same thing internationally now.

Senator MILLER. What you are really saying is that there are times, in a situation like this, when we should use the cruelest approach of all.

Mr. BEHRMAN. I am suggesting that taxation at that time will not solve the same problem. In fact you are removing liquidity at that time when you should be supplying it.

Senator MILLER. Do we have any other choice except to use the cruelest tax or the cruelest approach at all? Is that the only alternative?

Mr. BEHRMAN. What I am saying is that in times of a depression, Mr. Miller, that the inflation is not a cruel tax, taxation might be even crueler at that time.

Senator MILLER. In other words, the statement by the President that it is the cruelest tax of all does not mean that there might not be occasions when we should use the cruelest tax of all approach; is that what it gets down to?

Mr. BEHRMAN. I am suggesting that the "cruelest" adjective applies to certain situations, not to all situations.

Senator MILLER. I see. Well, I do not remember that the President qualified that.