types of time money has slowed down quite considerably already, and the same thing has happened to the savings institutions.

The danger is that, if the Fed becomes nervous about the international confidence in the dollar, they may step on these credit brakes a little too hard at this time.

Therefore, this points to me the need for some fiscal restraint in this picture.

The other thing that is troublesome to me is that, with the sort of projection we are making, I cannot see long-term interest rates coming down very much, in spite of some reduction in corporate bond offerings. It seems to me that as long as a substantial increase in prices is occurring, as Leif Olsen pointed out, you get an inflation premium on interest rates. People do not want to buy fixed-income obligations with the price level moving up the way it is. And this, to me, is a serious imbalance in the economy, because what happened is that the level of short- and long-term rates is so high that the minute the Fed moves in to tighten credit, it touches off the whole process of disintermediation—the flow of funds out of the savings institutions. And the Fed's hands are relatively tied in terms of its ability to use credit restraint. This is why the Federal Reserve has been asking for a tax increase. I think they feel they are boxed in and cannot do very much in this situation, and about the only way to stop this inflationary process is to get fiscal restraint in the picture.

There is a very serious need to do something to stop this inflationary process, the rising prices. I feel very strongly that the most important need here is to obtain fiscal restraint. And I would like to see it come through Federal expenditure cuts. This would be the better way to do it. But, I doubt that sufficient cuts can be effectuated.

The problem is that we face, over the next several months, a rather critical situation, both domestically and internationally. I am forced to the view that we need the 10 percent personal and corporate income tax surcharge to do the job. Beyond that, I think we need monetary restraint. But I think it has to be done in tandem with fiscal restraint. Otherwise monetary restraint could be used too strongly, and we could create a very serious problem in this situation.

I am not predicting it is going to happen.

The other thing I would say is that it seems to me it would be a good idea to remove the gold cover and free up all our gold.

I will stop at that point. I am afraid I took more than 15 minutes.

(The prepared statement of Mr. O'Leary follows:)

PREPARED STATEMENT OF JAMES J. O'LEARY

There has never been another time in my experience in which greater uncertainties faced the business forecaster. The biggest of these is the uncertainty about the course of events in the Far East and the trend of defense spending. But there are other difficult questions. Will Congress increase personal and corporate income taxes—and how soon and by how much? Will inflationary pressures force the adoption of direct Government controls over wages and prices? Will individuals continue their high rate of saving, or will they begin to spend more freely? Will an international monetary crisis be precipitated by weakening confidence in the U.S. dollar? These questions by no means exhaust the list.

It is hard to recall any other point of time in which the economic, political, and social problems facing our country and the world as a whole have been more difficult and critical.