

Mr. O'LEARY. May I be the first to reply?

Chairman PROXMIRE. Please.

Mr. O'LEARY. Well, you know, I have been reading the newspaper account of these hearings, and some of the transcripts, so I was well aware when I came in here today I would be hit because of the fact I have the second half relatively less strong than the first half.

Chairman PROXMIRE. That was a good honest forecast.

Mr. O'LEARY. So, I felt that I was going to be leading with my chin, in that it would provide you with the opportunity to make your case.

But I think you are 100-percent wrong about this. I think you are just deluding yourself. This is the way we have been talking for two and a half years, and there is more to this thing than simply whether we are going to have a little more unemployment in the second half of the year, or whether the rate of growth is going to slow down. I think there are some basic structural difficulties here that have to be knocked out of this economy on the longrun basis, or the growth of this country—

Chairman PROXMIRE. You are saying we have to have the unemployment, the slowdown, in order to do something effective about prices?

Mr. O'LEARY. Absolutely.

Chairman PROXMIRE. Now you are changing your position. A minute ago you said the surtax was not going to reduce unemployment.

Mr. O'LEARY. I am saying if you get the surcharge, if we can demonstrate to the world that we have the courage to take action in the tax area, and not be afraid of the politics of this thing—and I am not suggesting you are, because I have tremendous respect for Senator Proxmire.

Chairman PROXMIRE. I do not run this year.

Mr. O'LEARY. My feeling is that, first of all, if we are to avoid an international crisis, we have to show the world that we have the courage to discipline ourselves when we have prices and wages moving the way they are. And, to my way of thinking, if we do not do that, we are, between now and the second half of this year, running an unreasonable risk in terms of wrecking the international monetary system.

Chairman PROXMIRE. You say we have to show the world that we can stabilize our prices. We have done the best job of any country in the world. In the last 7 years, no country can compare with us. In the last 2 years Germany and France have done a little better, that is true. But over the years we have done much better. They can hardly say to us, "You are leading the world in an inflationary direction." The fact is that we have done better than they have.

Mr. O'LEARY. All these things are true. All I can tell you is if you sit and talk with people in Paris and in Zurich the —

Chairman PROXMIRE. Who have listened to the people from this country tell them over and over we have to have the guts to pass a surtax, and that this is the answer to our problem. That is what they know about our country.

After all, if we sent an expert to Germany to comment on the German economy, the first thing he would do would be to talk with the top people in the German economic establishment, and the German Government, get their views; and then he would be likely to offer them as sound if he respected the German experts. And I suggested that is just what the Europeans are doing to us. They think a surtax is necessary