

billion a year, reduce our national debt by that much which would certainly help this inflationary situation. See if you can't come up with something, Dr. McCracken. Will you give it consideration?

Mr. McCracken. We shall.

Chairman PATMAN. Talk to your colleagues about that. We would appreciate it.

Now, regarding the reference you made a while ago to the debt: that long-term debt should be eased; are you advocating taking off that $4\frac{1}{2}$ -, $4\frac{1}{4}$ -percent ceiling that was passed over 40 years ago?

Mr. McCracken. Yes; some modification of it.

Chairman PATMAN. Will you put in the record the modification that you have in mind?

Mr. McCracken. I wouldn't have a specific proposal. I think it would be better for that to come from the Treasury.

My concern as an economist is that with this limitation the debt has been piling up at the short-term end, and this has complicated the problem of economic policy.

Chairman PATMAN. All right. Thank you very much, sir. My time is up.

Mr. Javits?

Senator JAVITS. Dr. McCracken, I would like to join the chairman in expressing our confidence in you and the satisfaction we have in your appearing today.

Now, do you bespeak the policy of the administration when you say in your statement, "However, we believe that considering the national interest in high employment, price stability, and vigorous and ongoing expansion, the strategy of moving steadily and gradually to reverse the inflationary trend is indicated"?

Mr. McCracken. Yes; I think so.

Senator JAVITS. And does that mean that you have chosen the third alternative of your own paper, which says, "Our third alternative would be to embark upon a course of gradually and persistently reducing the rate of inflation and thereby generating the expectation of diminishing rates of inflation in the future."?

Mr. McCracken. Yes; this would be our position.

Senator JAVITS. Do you believe that this will have a measurable effect of increasing unemployment above the figure of 3 to 4 percent at which it has generally hovered over the last year?

Mr. McCracken. In our judgment, this policy can be pursued without pushing "unemployment," to use your term, substantially above that zone within which it has moved in recent years.

Senator JAVITS. Does the administration intend to pursue this policy even if it does result in increasing unemployment measurably above 4 percent, or will it undertake a change in direction if it sees it going out of that ball park, so to speak?

Mr. McCracken. I am sure this administration will always be watching very closely the problem of unemployment as one of the major objectives of economic policy. We shall want to feel our way along here, and if policies seem to be producing an impact, then we would certainly want to take this into account.

Senator JAVITS. In order of priorities, will the administration follow this doctrine in economic policy wherever it leads or will the administration give the priority to keeping unemployment within reasonable levels?