Mr. McCRACKEN. I think I would put it this way. Our concern is to try to have the maximum employment and output in growth in the long run. It seems to us at this particular juncture we have to give some attention to the price level, but certainly the matter of high unemployment will continue to be a very major concern for the administration. Certainly we would not counsel watching the price level to the exclusion of any concern about unemployment.

Senator JAVITS. Pursuing that philosophy of gradualism, which is what it is, the implication is, given in your statement, that you would look with favor upon a continuance of the tax surcharge. I call your attention to the statement "Aside from the inflationary effects, we would be concerned about the probable consequences of a renewed Federal deficit on the supply of funds for private investment, especially in housing" and so on. "Moreover the re-emergence of the large Federal deficit would create greater strains on the economy—particularly in financial sectors—in effectuating a stabilizing monetary policy."

Do you contemplate, because this is very important in view of the President's pre-election position, the real possibility that in view of your, the administration's policy of gradualism in respect to fiscal policy, that we may have to continue the tax surcharge?

Mr. McCRACKEN. I think I would answer that question this way. In our judgment, it is quite important that we not allow another major deficit to emerge. The budget on the expenditure side is being reviewed by the Director of the Budget now. Whether we can maintain an essential balance without the surcharge or whether that must be continued, I suppose, will depend on the outcome of this review. But it is quite possible—it is quite possible that economic and budgetary conditions will require the continuance of this tax.

Senator JAVITS. Now, do you state the policy of the administration when you say: "Real incomes and output should rise 50 percent during the next decade, and the fruits of this progress will be diffused more broadly to all our people."

Mr. McCRACKEN. Yes; I think that would be a fair statement of what I understand the Administration's objective to be.

Senator JAVITS. That is their objective.

Now, moving to foreign economic policy: Do you agree with the recommendation of this committee which was made last year that there ought to be reforms in the international monetary system, and that one of these reforms is to negotiate a change in the present fixed exchange system that would permit wider fluctuations in exchange rates under the IMF different from the present one percent?

Mr. McCRACKEN. As we indicated in our statement we are impressed with the way the international economy has flourished under the present system, but we are also concerned about the growing trend toward controls here and abroad.

We consider that we would be derelict in our duty not to explore various modifications of this system which might be helpful.

As to which ones specifically will ultimately turn out to be the desired course that remains to be seen. It depends a great deal, of course, on developments and on sentiment around the world. We are not interested in unilateral action.

Senator JAVITS. Rather than not be interested in unilateral action, aren't we interested affirmatively in multilateral action?