balance of payments, but there might also be very undesirable inhibitions on domestic policies. In particular, it is undesirable for the United States to be under strong pressures to keep interest rates high for international purposes. As we squeeze the inflationary psychology out of the economy, we may safely look forward to some decline in our interest rates. For domestic purposes, and in particular for the health of the housing industry, it is important that we maintain our option to have lower interest rates.

In terms of simplifying our investment control program, there is perhaps more to be gained by concentrating our efforts at relaxation on the foreign direct investment program rather than the interest equalization tax. At the same time, we would agree with the observation of the Chamber that the relative position of interest rates in the U.S. and abroad reduces the need for an interest equalization tax of 1¼ percent.

The capital control programs are currently under review as part of the Administration's balance of payments study, and it would be inappropriate to discuss the specific suggestions of the United States Council in greater detail at the present moment.

Senator JAVITS. I thank the chairman.

Chairman PATMAN. Senator Proxmire?

Senator PROXMIRE. Chairman McCracken, I want you to know I share with the chairman of this committee and the ranking Republican their pleasure at your appointment. This was a splendid appointment by President Nixon and I know you will do a great job.

In the President's Economic Report,* on page 94, the following is stated:

It is doubtful whether acceptable levels of unemployment and reasonable price stability can both be achieved without the successful implementation of structural anti-inflationary measures and a voluntary cooperation in wage and price decisions.

Now, you just rejected quite emphatically in your statement two or three times, in fact, the notion that you should be involved in wage-price guidelines. Mr. Shultz yesterday on television was even more emphatic. President Nixon said the same thing in his first press conference so I think we are getting the message that you are not going to use wage-price guidelines in this administration.

At your confirmation hearings before the Senate Banking Committee, I think it was Mr. Houtthakker who stated that antitrust policy would not be an effective means of stemming inflation in the next 2 years. It might be in the long run you are for it but it wouldn't be helpful in the short run.

You are opposed to wage and price controls; you are opposed, I presume although you haven't explicitly said it, at the present time to credit controls.

Now, that leaves fiscal and monetary policy and our experience in relying on fiscal and monetary policy to control inflation in the past without wage-price guidelines and without any of these other measures has indicated we had to go to as high as 6 percent unemployment before we were able to turn down the rise in the cost of living.

What is there in the present economic situation that persuades you that we won't have to do that again?

Mr. MCCRACKEN. Let me begin, first of all, on the specific matter of our position on wage and price guidelines. I think we have arrived at that position simply because in reviewing the experience we are not

*Economic Report of the President together with the Annual Report of the Council of Economic Advisers, H. Doc. 28, 91st Cong., first sess., January 1969. Available from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C.