

occurs. This is a high price to pay; however, I do agree that inflation is a cruel tax, but I'm not sure how cruel vis à vis unemployment.

The elderly and the poor do suffer, undoubtedly, from inflation, however, a recent study has shown that social security benefits have more than kept pace with inflation over the present expansion and the poor who are in debt and who are employed at the margin do reap some benefits from inflation. I do agree there is a trade-off here, but we should have a clear idea of the net social costs and benefits that surround the problem of controlling inflation before we bear down too hard.

Mr. McCracken. I wish I could be more confident myself about our technical information on the statistical nature of the trade-off here. We are hopeful that if we pursue a careful and gradual approach to this problem that the adverse effect on unemployment will not be large.

I cannot confidently say what rate of unemployment would be consistent with what rate of increase in the price level. I think these factors themselves change over time.

All I can say is that we shall certainly continue to be extremely sensitive and extremely concerned about the employment problem.

Representative MOORHEAD. Now, on the international monetary system, in your testimony you point out that for 20 of its 25 years this system has worked very well and it should be given respect.

But it seems to me that you have accorded it a little too much respect, because in a 12-month period, from the time of the pound devaluation through the March gold crisis to the November franc crisis, we have had three serious crises. Coupled with the fact that the system is 25 years old it may need more than just a few minor adjustments.

It seems to me that we should, as you say, pursue changes with vigor, but that was only one sentence out of the whole section, and I suggest to you, sir, we need more emphasis on the international monetary system than I believe your statement indicates that you are going to give it.

Mr. McCracken. Well, we certainly remain very much concerned about the kinds of problem that you allude to.

Representative MOORHEAD. In your testimony you state the importance of reducing the concentrations of unemployment. But I don't find in your statement any indication of the methods or programs that you are advocating for reducing these concentrations.

Mr. McCracken. We did not, of course, here outline in detail new programs. As a matter of fact, the Secretary of Labor will be before the committee later in this series of hearings.

However, in our statement we do allude to the kinds of approaches to this problem which would seem to be in order.

Representative MOORHEAD. Thank you, Mr. Chairman. My time has expired.

Chairman PATMAN. Senator Jordan?

Senator JORDAN. Thank you, Mr. Chairman.

Mr. McCracken, I, too, want to welcome you before this committee in your capacity as Chairman of the Council of Economic Advisers and I want to commend you for the very fine statement you have given us.