the real problem, not whether to have a little more or a little less tax, then in 10 or 15 years we may have moved to a position where we can have, let's say, 2 percent unemployment, or whatever the rock-bottom rate is, and still have reasonably stable prices.

Representative BROCK. I appreciate you all bringing this up as a policy question related to our economy. It is very critical and I am very much delighted that you have said something about it.

Do you want to add something, Professor Perry?

Mr. PERRY. In response to your question, I am not very optimistic that you do a great deal through such measures to change this trade-off in any short period of time. What I tried to suggest in my remarks, is that the way the world is—and here I mean both the institutional structure of the labor market and what we are likely to do politically—you are faced with something like the present trade-off right. If you have to live with this and if you must pursue a policy of increased unemployment in the near future, it is useful to think separately about the need to pursue such a policy—the tradeoff we face—and the costs that go with such a policy. Costs which go with such a policy can be softened. You can pass bills which would simply make it much easier on those who are going to suffer the most in the process of increasing unemployment. I think that is a short-run question of great practical and immediate importance, as opposed to the long-run question of what we can do so that 5 or 10 years from now we can have less inflation with a low unemployment rate.

Representative BROCK. Thank you.

Let me just shift the subject briefly for a quick question. Professor Williams mentioned it, that he specifically endorsed continuation of the surcharge. You all included it in your projections. Is there any disagreement with the desirability of continuation of the surcharge?

Mr. PERRY. We are all in agreement.

Representative BROCK. If we continue the surcharge and accept that as our premise, I think the point was made, and I would concur and ask your concurrence, too, that we can have a considerably less restrictive monetary policy than we would have otherwise.

Now, the point I am getting at is this. I think Professor Klein mentioned the trade-off in terms of raising reserve requirements and, in turn, open market operations to put, say, another billion dollars into the economy. Can we assume that if this economy meets your projections which rank from a one and a half to a three and a half percent growth factor, which is not a terribly significant growth, if we assume these porjections, it is not conceivable that the Federal Reserve could have not just a tight money possibility—considerably eased monetary policy over what it is today within the next 6 months, could we not see a greater inflow of money into the economy through the open market operations, for example. Is it feasible, and if so, would it incur too high a rate of inflation or are you talking about increasing unemployment?

Mr. KLEIN. In the projections that I made, it was assumed that after midyear the degree of monetary restraint would ease, and we introduced this into our calculations through the traditional steps that have been taken recently, that is through open market operations and through discount policy.