tions they researched. I should think that would be very pertinent.

I have a couple of questions.

All of you gentlemen have assumed that the surtax will be extended. What would you suggest would happen to interest rates if it weren't?

Mr. WILLIAMS. I think I addressed myself to that in some degree saying they would be higher.

Representative BOLLING. Would there be any disagreement with that?

Mr. KLEIN. I would say that would be true. We are trying to outguess what the Federal Reserve is trying to do, and we probably do agree that the Federal Reserve would have to be more restrictive on monetary policy if there was a weakening on the fiscal front.

Representative BOLLING. Right. So that, in other words, you would have a very substantial impact on interest and with so substantial an impact on interest at least in theory you could have the same kind of thing happen this year, despite the surprising experience with housing, that happened in 1966 on housing. You could have a crunch.

Mr. WILLIAMS. That is right.

Representative BOLLING. If you didn't have an extension of the surtax.

Mr. SUITS. There is one qualification that Professor Klein mentioned earlier, however, and that is the shift in the institutional arrangement. To the extent that that is different, the credit crunch has different implications.

Representative BOLLING. Right, right.

Now this is a question that I don't really expect anybody to give a definitive answer to, and I have a prejudice which I will make clear in the question. Who is hurt most by inflation? Is it not the old, the blacks, the poor, that being a redundant phrase, that last one, at least in part. Who is hurt most by inflation?

Mr. SUITS. Well, surely the old who are substantially supported by social security, which does not respond very rapidly. For the blacks and the poor one has to make a very careful study because, on the one hand, aid to dependent children allowances do not respond very rapidly and such children are, of course, punished badly by rising prices. On the other hand, as was pointed out earlier, employment rises most rapidly in precisely this same area, so it is very difficult to determine who is being hurt or how much. On the one hand we provide the breadwinner with a job. On the other hand we take purchasing power away from the family without a breadwinner.

Representative BOLLING. The point I was getting at was that it would seem to me there is a fair probability that the "least able to defend themselves" segments of the society face a year in which they can't win. If we have a significant increase in unemployment in order to stop inflation they are going to be hurt, and if we don't stop inflation they are going to be hurt. So they have got a no-win year except for the addition that I think you in your statement brought in and that is the direct aid to them in specialized kind of employment, if that is the way to put it. In other words, it is very clear there has to be some method to reach them beyond the classic methods we have been mostly talking about today or they are going to suffer or continue to suffer