times might force inflation. Now we have fixed exchange rates between currencies with independent domestic monetary-fiscal policies with some countries growing more rapidly than others, and some inflating more rapidly than others.

It should not be surprising that from time to time many countries will run surpluses and others deficits. We need a system which will operate to eliminate that. The only one I know that I am aware of would be a system tending toward a flexible exchange rate system.

Chairman PATMAN. Thank you, sir. Mr. Reuss?

Representative REUSS. I can't find words to express the joy you three have given me by what you have said this morning. I think it has been a memorable presentation.

I am proud and I know Senator Proxmire is, too, that Professor Culbertson is from the University of Wisconsin. Would it be a fair statement, in which each panel member could join, that a sensible overall economic policy for this country in the light of present domestic and world conditions would consist of the following:

One, monetary policy should be easy until full employment is reached, or approached, and adequate additions to the money supply should be made, contrary to the monetary policy that we now have.

Two, there needs to be a coordinated and complementary policy of fiscal ease until full employment is reached or approached.

Three, the international balance-of-payments situation should be met, not by deflation and repressive domestic measures, but by constructive international measures. For example, we could do far more to expand our exports and to eliminate our present deficit through a larger trade surplus. We could work more purposefully to get agreement on a payments system which would better protect countries in temporary deficit positions.

This policy outline is quite at variance with the present economic policy of this country. We have apparently embarked upon a generally higher interest rate policy, with only that degree of fiscal ease which comes from unexpected reductions in revenue. We are not really doing very much about expanding exports or evolving a workable system of protecting international payments.

Who would agree or disagree with the proposal made?

Mr. SPRINKEL. I would agree if you would let me define a couple of terms in your statement.

Representative REUSS. Please do.

Mr. SPRINKEL. One, in referring to an easy monetary policy, in my terms I am speaking of monetary growth, increased additions to the money supply. This is not necessarily the same question as to whether or not there are already excessive funds available from a loan point of view, or whether interest rates are too high or too low, because changes in the money supply operate through the supply side and there are demand factors which influence interest rates beyond the control of the Federal Reserve in the short run.

It would seem to me under present circumstances, a larger rate of growth in the money supply would be clearly justified. As to fiscal ease, I presume here you might be referring to the possibility of a tax cut.

Representative REUSS. If I may interrupt at that point, I referred to fiscal ease because I didn't want to have this discussion bog down