Third, on the subject of easy money again, I have no objection to rather high short-term interest rates, because I don't think they are too important. If they do affect balance-of-payment factors, I am perfectly willing to have them. It is the long-term rates that bother me. However, I don't think any of these points are major departures from your general position.

Mr. CULBERTSON. I am also in general agreement with your statement. I would like to associate myself with Mr. Sprinkel's definition of how we should measure what monetary policy is. It seems to me that the usual way of looking at it in terms of "easy money" is a very loose criterion and may be actively misleading, since, as he observed, when the economic situation becomes weak and demands for funds become weak interest rates naturally tend to go down. In this sense "easy money" always tends to arise when you have a weak economy and may, within rather wide limits, arise irrespective of what the Federal Reserve is doing or how badly it is governing the behavior of the variables that are within its control.

I think we should look to a money supply criteria more than we have in the past. Policy has suffered greatly because the Federal Reserve and other observers have not taken account of the extent to which interest rate changes are responsive to changes in credit demands in the economy.

With reference to your statement, I am generally in agreement and should like to emphasize your point that what is called for is a reversal and reorientation of the policy that we now seem to be following. The exception is fiscal position, for here the Government is thinking in terms of a tax cut. With reference to monetary policy, however, what we require is not only change in policy but—if we are actually to get a change in policy on the required scale—a change in the way the Federal Reserve looks and measures what it is doing. It is most unlikely that if the Federal Reserve sticks to an "easy money" criterion or a "reserve pressure" criterion or "credit available for reasonable credit demands" criterion we are in the present circumstances going to get the kind of monetary growth that we need.

In terms of debt-management policy, also, the Treasury seems to continue to be dedicated to the idea of maintaining the maturity structure of the Government debt and making strong demands on markets for intermediate and long-term securities.

With relation to the balance-of-payments situation, Government spokesmen seem to put a good deal of emphasis on reducing our costs by passing the investment tax credit. I think that stimulation of investment through something like the investment credit is a good idea. But such a marginal change in investment as we are likely to get out of such tax changes surely will not affect our production costs enough to have much effect on the balance-of-payments problem in the short run.

It is most disturbing that the Government seems to espouse the position that it is primarily our responsibility, through domestic policies, to solve the international payments disequilibrium. This disequilibrium is two sided. It has arisen essentially out of the whole postwar transition period in which we have arrived through a devious source at a set of exchange rates and a set of relative trade and exchange restrictions that at this point in time, as things have worked