out, doesn't produce equilibrium. We should not be in a position of taking to ourselves the burden of correcting the disequilibrium by our domestic policy.

More broadly and closely related to that, our Government ought to be exercising constructive and imaginative leadership in evaluating our whole international financial system and trying to build one that will prove usable.

What we now have is an experimental system. We have never had one that worked well. We should always be questioning and asking what changes are required. Yet we have given the appearance of being wedded to the present institutions, rather than providing the sort of imaginative leadership toward revision and change that is called for.

Representative REUSS. My time is up.

Senator PROXMIRE. I want to join Mr. Reuss in saying this is a superb panel, not only being two-thirds from Wisconsin and one-third from nearby Chicago, and being highly competent but especially because it is so uniformly mirroring my own preconceptions and prejudices. I hope we can call to the attention of Chairman Martin, and other members of the Federal Reserve Board, the statements of this morning.

Mr. Culbertson, I want to repeat the things you said and then I want to ask you about them. You say a policy of more drastic monetary restriction, as has recently been urged upon us from several quarters, surely would make matters still worse and might have quite disastrous consequences. Then you talk about the mystical attachment to high interest rates and inflation. You say the grip of this dogma, and the habitual errors of Federal Reserve monetary policy are the principal impediments to the reachievement of full prosperity in the U.S. economy.

Then you go on with some other very emphatic statements:

> Since our present situation seems to impose upon us a conflict of policy objectives, it is now commonly suggested that we mount our charger and ride off in both directions. We maintain our restrictive monetary policy and go further and set about to raise interest rates in deference to our balance-of-payments disequilibrium and reducing taxes in the hope that this will improve employment.

Then your second and third recommendations which pertain directly to Federal Reserve and Treasury policy, under present circumstances, would be that they immediately cease any policies tending to restrain the economy even further.

Two previous witnesses before this committee have referred to the money supply and in both cases they talked about its expansion. In both cases we were able to determine what they were talking about by finding they were evading the money supply definition and indicators which refer to supply money as currency, plus demand deposits, and they were talking about the money supply as currency, demand deposits and time deposits. One of them was Dr. Heller, who is the Chairman of the Council of Economic Advisers, as you know. The other was Dr. McCracken, from the University of Michigan. I want to know from you how you justify the position which you take, which is also the position I take, and the position the economic indicators take, that money supply should be defined in terms of currency and demand deposits, not currency, demand, and time deposits.