But when we have a situation of 4½ million people unemployed, when we have a situation of operating far below our capacity in virtually all of our industries, the fear of inflation is very slim. However, the fact that the economy is moving so slowly is persuading the President to suggest what I think is radical medicine.

You say you would like to give the free market economy time to adjust itself before we intervene with massive medications. I agree. That is why I think it would be so wise for the Federal Reserve to ease up on the monetary situation so that we can avoid a big deficit, a tax cut, this decisive fiscal action which is so much more substantial and so much greater experience and is a brandnew approach. We have always used monetary policy. But to use fiscal policy will be breaking new ground.

Mr. BRYAN. The gross national product and its relation to the money supply is, as pointed out by the chairman, falling. We, nonetheless, have had over a series of years a gradual deterioration in the purchasing power of the dollar. Recently it has been small. It still has been something. We have had relative stability recently. You said that is perfect. That is in the wholesale price level.

By the same token, that is not where it hurts me when I go out to buy things. I am buying them at retail. I am very much a believer in our supplying on a reasonably steady basis, as steady as we possibly can, a base of reserves.

When I talk of reserves, I am talking about total reserves, not free reserves or anything else. I make a distinction there.

Senator PROXMIRE. It is just very hard for me to see that there has been this deterioration in the purchasing power of the dollar. We buy at retail. The wholesale prices are the ones which would be very sensitive to a monetary policy, and they have been stable.

No. 2, we have frictions in our economy which we are all conscious of: Organized labor pushing up wages, big business with the power to administer prices which is common knowledge, and we have those frictions, independent of monetary policy.

Under these circumstances, it seems to me to maintain only a 1-percent-a-year increase roughly in retail cost of living is a real accomplishment. It is probably about the best we can do with monetary policy. I can't see that deterioration is likely to develop because of a somewhat easier monetary policy at a time when we have this great opportunity for employment and for fuller utilization of resources in the economy.

I don't want to repeat myself, but I just feel that monetary policy does seem to be so faulty on this score.

Mr. BRYAN. Let us grant that 1 percent a year is neither as deep as a well or as wide as a church door, but it is considerable. For the person buying a savings bond, it is reducing his interest earnings by 1 percent per year.

Senator PROXMIRE. I would agree that it is something to be concerned about. This is the one criterion, Mr. Bryan, which you have suggested to us this afternoon, the overwhelming criterion, for not adopting a policy of somewhat easier money. Does the Open Market Committee feel that they should achieve a perfect price stability in the retail area?

Mr. BRYAN. I don't either.