In other words, what do you think it is possible for them to agree on?

Dr. NOURSE. Well, it is pretty hard for them to agree in the Labor-Management Committee, there, on anything. As I said in the paper, they can educate each other somewhat. They can clarify their separate positions with reference to the total economy to some extent.

Now, I think what is latent in your mind is a feeling that they cannot budge very much. They are locked into their particular interest groups. And that is why I stressed the possibility of these conferences of broader character defining particular issues in more objective terms.

In answer to your question, I would say that I think in the use of the White House conference, or something else of that sort, there is some real possibility of progress.

Chairman PATMAN. Senator Bush, would you like to ask some questions?

Senator BUSH. Dr. Nourse, did you see the editorial in the Washington Post this morning, by chance?

Dr. NOURSE. No, I did not. I was hurrying down to this meeting.

Senator BUSH. It is entitled "Federal Reserve Policies." I wondered whether you had had a chance to look at that.

Dr. NOURSE. No, I have not.

Senator BUSH. The general question raised in the editorial is: If private business can be financed through the banking system, why cannot the Federal Government be just as effectively and properly financed through the banking system?

Dr. NOURSE. Well, of course, that is a very long controversy, and I have consistently taken the opposite position, that the Federal Reserve System is a unique system of a national federation of still private banks, and that they have a function there in dealing with the business community, being elastic, meeting the needs of the community, and they cannot dictate conditions from their side. As Mr. Martin's expression runs, they have to roll with the punch or "lean with the breeze."

Now, there is a very strongly held view among some economists and political scientists that this separation between the functioning of the public Treasury and the functioning of the commercial banking system, as headed up in the Federal Reserve, should be merged. And of course that goes back to "the accord" and the independence of the Federal Reserve System.

I simply can state my position categorically, that I believe that the separation is most compatible with our traditions and is most compatible with sound economic reasoning, as I understand it.

Senator BUSH. You had left Washington when the accord came into being?

Dr. NOURSE. I have never left Washington, Senator. My roots are too deep, here. I had left the Executive Office of the President.

Senator BUSH. That is what I mean.

Dr. NOURSE. But I was very happy at that accord, because as Chairman of the Council of Economic Advisers, I felt locked in by the policies that had to be incorporated in the President's Economic Report, before that unpegging of the interest rate took place.