the past is finished—in the future it would seem to me most unfortunate, if the conditions remain about as they are, if we are going to follow a policy of not increasing the money supply with the gross national product.

We would have rising interest rates and some restraint on the economy moving ahead, at a time when we need to do so. And we suffer this restraint because of monetary policy. If we get into an inflationary system, that is quite different. We are not in that now.

Dr. NOURSE. Yes. We are not in a crisis situation. I agree on that.

Senator PROXMIRE. I want to apologize for having done just exactly what you say we have mistakenly done, that is, put so much emphasis on monetary policy, or fiscal policy, because I do think that your contribution this morning has been extraordinarily helpful, and I agree with it quite fully.

Chairman PATMAN. Dr. Nourse, you made one statement, that the Federal Reserve should not defeat the debt management policy of the Federal Treasury. I would like to invite your attention to the fact that when the last issues were put out recently, one issue was 4¼ percent, due in 30 years, I think, and the Treasury expected to sell about $750 million worth. Well, they actually sold about $316 million worth.

That is an instance that occurs to me. When the Federal Reserve was sitting idly by and permitting the Treasury to lose, the Federal Reserve could have purchased those bonds one way or another, without any inconvenience or trouble or cost, without any possibility of loss, and finally have fed them back into the market when the market was better and when the climate was more suitable.

But the Federal Reserve did not help the Treasury at all on any of those issues, so far as I know. And I think that is a dangerous trend.

Of course, the Federal Reserve, if they want to carry out a hard-money policy, and leave the impression and have the psychological weight behind it that it would have, that interest rates are going up, and therefore convince the people that a 4¼-percent Government bond issue will not sell, they have made a point, there. But the point I think is against the public interest.

What do you think about it?

Dr. NOURSE. Well, I do not claim to be privy to all the issues that were involved in that situation. In a general way, however, it would seem to me that the Treasury, in its debt management, was trying to lengthen the maturities and feel out the market for longer maturities; and the Fed could follow two policies:

(1) We let you perform this experiment in the existing state of the commercial market. We let the market tell you what this debt management possibility is.

(2) They could have, on the other hand, followed the course which you suggest, of making an artificially favorable situation for the sake of making that offering fully successful.

Now, I may be an old-fashioned conservative, but it seems to me——

Senator BUSH. They would have to buy the bonds. They could not create a situation. Banks do not buy 30-year bonds.