

What concerns me is this: the increase in the money supply which right now is simply feeding an increase in liquidity preference and is not itself currently inflationary, money supply will be in the system 6 months from now. Its velocity could change at that time. That is one of the reasons why I warn you that if I have to come back and testify next spring I may be defending the Federal Reserve, when it is sopping up money and letting the rate of change of the money supply fall below 2 percent and below 1 percent, and even perhaps for periods of time to be negative.

Representative BROCK. When you start talking about monetary policy, I think one of the problems last year was the out-of-kilter management of fiscal versus monetary policy. Today we are talking about a tax increase, but nobody is talking about the monetary situation and I am not sure that it is time to slow down the input of money. But it certainly is flowing in. We have a very expansionary monetary policy today.

Do you have any thoughts as to when this should begin to trail off, if at all? Should we let it flow?

Mr. SAMUELSON. I would say that if the economy develops according to the timetable that is seen here, that probably you will find that the degree of monetary ease as measured either by the rate of change of the money supply or by various interest rate factors will begin slowly to change in the direction of tightness. Indeed, it may be that I am a poor reporter of what has already happened. When we look back, it may have already happened.

Mr. WESTON. I would like to comment on this. There is a curious asymmetry between the judgments we take with regard to fiscal policy and monetary policy. The general view is that it looks like we may need to have the tax increase and let's get ready and let's get ready to move fast with it. On the other hand, if it is indeed true that we will be getting in the area of \$13 billion to \$14 billion increases per quarter in the second and third quarters of the year, then people may well look back and comment in early 1968 that the Fed should have moved to tighten, let's say, as of this point.

You get a curious asymmetry, as I say, in saying "Well, we are not certain enough about the economic outlook to say that we should have a tax increase to go into effect as of a certain date." Yet we are inclined in retrospect to criticize the Fed for not having moved with some omniscience that we refused to say we have at this point.

There is another element that emphasizes asymmetry from a political standpoint. We look with apathy upon a proposal of the kind that I have made, even though I distinguished between tax structure and overall structure saying, "Congress just isn't going to give that power to the President."

On the other hand, the implication of this is that we will tend to lag even though we may get some speedup by the device of enacting and then implementing by congressional resolution. This means we still have some lag in the implementation of the tax side. This means that we relatively would then lean more on monetary policy in the mix, and what Professor Samuelson's discussion has brought out again very clearly is the problem of the inherent lags you tend to get in monetary policy that are underscored by the present situation, because the anticipations of a credit crunch in the fall have produced a credit crunch at this present time. Efforts to alleviate that increas-