on this side, the less you would have to turn to the efforts to hold down the expansion of credit and to turn the money supply, you might say, in a different direction. Whatever may have been our diffrences in the past, I think, frankly, as I have indicated before this committee, they had primarily to do with timing.

I think we were all agreed at the beginning of 1966 that a combination of both fiscal and monetary restraint would be necessary in that period. Now, in this period ahead as the economy is emerging from the period of the inventory readjustment that Chairman Ackley has outlined, and all the signs are toward a period of expansion, we are as one in our view that the right mix of fiscal and monetary policy is one that includes the tax increase, which, therefore, diminishes to that degree the necessity for the Federal Reserve System to move to a restrictionist policy or a degree of restrictionist policy in the monetary field.

The CHAIRMAN. Mr. Secretary, as I say, I don't know much about this relationship because I have not made any real study of monetary policy, but I think anyone, whether he has studied it or not, would agree completely with your observation that we are better off if we have the proper mix of the two policies than if we don't have it. What I am trying to get to is how do we know that we can have the proper mix of monetary policy if the difference in our deficit is only reduced by $7.4 billion, which is the amount of tax revenue effect of this bill in the 1968 fiscal year? Are we certain that the Federal Reserve, on the other hand, would not do again in this year or in 1968 what they did in the year 1966, and if they do it again, might we not expect about the same consequences to occur?

Secretary FOWLER. I think that is the question, Mr. Chairman, I will have to defer and leave for the Chairman of the Federal Reserve Board.

The CHAIRMAN. I am going to question him when he gets here.

Secretary FOWLER. I can't speak for them on that.

The CHAIRMAN. I am going to ask him some questions when he gets here because I just don't know whether or not to try to sell the tax bill on the basis that the Federal Reserve is going to do what you and I might think to be the right thing on their policy. I am a little concerned about it.

Mr. ACKLEY. I have asked you all these questions—and I am now a step in tax policy on the basis of what we think may happen and to find out where the inflationary pressures may be as we look to the future. Certainly I hope that as we look ahead this time we are doing it with a higher degree of accuracy than on other occasions. I am not talking about you in the past, but of occasions in previous years when some of our projections have missed the market pretty badly, going back as far as 1948. I am always a little concerned about taking through—for the reason that I have wanted to get to the components that is why I have asked you so many questions about it. This is one of the things, however, that is being used apparently as justification for this action.

When one looks at the situation that the Secretary of the Treasury describes and the Director of the Bureau of the Budget, naturally I end up with the conclusion that something should be done.

Now, Mr. Director, you remember when we did what I think now was a mistake and suspended the 7-percent investment credit. You