

ning a lot easier than the kind of cyclical atmosphere we had in the 1950's. This couldn't have been accomplished without some fiddling with the instruments of policy, tax and monetary policy. Although there is undoubtedly going to be a lot of attention to the possible unsettling effects of discussions of policy, I think the gains from the more reliable, assured outlook for the general markets the businessmen face is a much greater advantage.

Representative RUMSFELD. Of course, your response suggests—and I can appreciate the difficulty of my interpreting your remarks—but it suggests a degree of accuracy that will in fact result in a favorable situation.

I have been concerned with the wide disagreement among experts on these subjects. You here say you do not see a case for the proposed 6 percent surtax, in your statement. We have had both sides of this. We have also repeatedly had individuals comment on the difficulty of accurate forecasting in this area, and while I recognize that you have got to take the best information you have and go with it, this is certainly true, there have been others who have suggested that the time it takes for the mechanism of Government, the executive and the legislative together, to work in this area might be advantageous in terms of not making the errors that could be made when, for example, additional authority discretion is given to the executive, and there is a frequent change in the tax rates. Do you have any comment on that?

Mr. TOBIN. Well, I can well imagine that bad policymaking—like a housewife who doesn't understand the lag between changing the thermostat and the operation of the furnace, jiggles it up and down, and then doesn't understand why things are alternately too hot and too cold.

But I don't think that that is a fair description of the way Government policy has been operating in the economic sphere since the Second World War, especially in the last 6 years.

Representative RUMSFELD. True, but you can't say we have had a yo-yo tax policy during that period either.

Mr. TOBIN. We have used taxes as well as monetary policy in a flexible manner. It has been a kind of opportunistically flexible policy. For example, the occasion has been taken to accelerate or defer social security tax increases, as we discussed before, when more expansion or less expansion is desired. One way or another, a good bit of flexibility in timing of policy has been achieved, and I think the results are pretty good.

Representative RUMSFELD. Thank you.

Chairman PROXMIRE. Congressman Reuss?

Representative REUSS. Thank you, Mr. Chairman.

Would both you gentlemen agree that one of the things that was wrong with our total policy mix last year, and particularly our monetary policy, was that it did squeeze unduly the whole building industry, and that this was regrettable. Is there any dissent from that?

Mr. CULBERTSON. I wouldn't attribute that mainly to monetary policy, Congressman Reuss. I think the objection to monetary policy was its on-and-off character, a very rapid increase in the money supply during a period and then the abrupt reversal to no increase.