

achieved so much currency, because there is no simple striking statistical evidence which stares you in the face which would lead you to this conclusion.

Professor Culbertson said quite rightly that neither is there any evidence that there is a simple obvious statistical relationship of a measure of fiscal policy; namely, the high employment surplus or a deficit, and the level of economic activity. That is true; there isn't.

There isn't a simple relationship in either case, and the fact is that the world is just a lot more complex than that. Therefore, I think that neither the managers of fiscal policy nor the managers of monetary policy can dedicate their policy to any simple single indicator of what they ought to be doing. They have to take into account a much wider range of measures of the situation and of the markets in which they are dealing.

The demand for money can change as well as the supply, and if you don't satisfy an increasing demand for money, you are tightening the situation, even though the quantity of money may be expanding very rapidly.

You wouldn't say that a market for wheat had gotten easy just because the wheat crop expanded by 10 percent, if at the same time the demand for wheat had expanded by 15 percent and its price had risen.

Both sides of these markets have to be considered. It is certainly not true that there is a stable demand for money, so that the things would be very stable, if you just kept the supply stable.

Representative REUSS. One can agree, as I did, with what you say about money depending on both supply and demand, and what you say about monetary policy being merely one small element in the myriad of public and private things that we have to worry about.

I certainly don't accept any simplistic or mechanical notion of putting an educated horse in charge of the Federal Reserve, and having him turn out 3-percent money a year in season and out of season. But having said all that, I think we make mistakes in our monetary policy by paying little or no attention to the rate of increase of the money supply, and I cite two horrible examples—in 1962, where the Fed, contrary to your advice, didn't increase the money supply; and though you apparently don't agree with this example, the February 1965 to February 1966 period, when the Fed increased the money supply at an exorbitant 6.2-percent rate. You say that people wanted money in this period. Sure they did, and that was precisely the reason why they shouldn't have been given so much money. So I am going to think about this a good deal more, and I have gotten a great deal out of what both you gentlemen have said.

Chairman PROXMIRE. I might add that this afternoon our witnesses are two more eminent economists. We will hear my old professor at Harvard, Professor Hansen, and Professor McCracken of the University of Michigan.

I notice in their prepared statements, which I have examined Professor McCracken's statement especially, there is an extensive discussion of the same issue so we can carry on there. I want to thank you gentlemen. I do have one final question, and I don't mean to take too much time, but I have asked each economist to comment on this because we have some conflicting opinions from Mr. Martin.

Would each of you tell me whether or not you think that as Congress looks at a tax increase in May or June or in October, we should