

Representative WIDNALL. In closing I would just like to make this comment. We are now having on Capitol Hill a great deal of effort to get truth in lending and truth in packaging and truth in this and the other, truth in green stamps and other things as far as the American people are concerned.

I think one of the most urgent things we need is truth in government, and this has to do with our budget, our fiscal policy, our monetary policy, coordination and correlation of the two together, so that we do know where we are going and we don't get some of the legerdemain that has taken place over the last few years.

Now all of us are concerned with the estimates as to the spending in Vietnam, and I think there are some things right now in the budget, and I hope that all of you who have the expertise outside of government will continue to make the great contributions you have been making, by an honest appraisal of where we are going and what we have been doing and where we ought to go, in order to try to do a better job than we have been doing.

Thank you.

Chairman PROXMIRE. Congressman Reuss?

Representative REUSS. Thank you, Mr. Chairman. Mr. McCracken, you set forth the philosophy you presented today in one sentence of your statement where you say:

Thus in a sense we now see it as the task of monetary policy to set the growth path for the domestic economy, and it is the task of fiscal policy to achieve the money and capital market conditions that will validate this cause.

You have made an extremely cogent case for that. I take it that you would not want to overplay this point. Let me tell you what I mean.

You would not want to make fiscal policy exclusively the task of arranging the Government surplus or deficit in such a way as to not vitiate your monetary policy.

That is certainly an important task, and you make that case extremely well. But a wrongheaded fiscal policy could, in the future, as it has in the past, make us depart from our maximum production, purchasing power, and employment goals.

For example, if you overtaxed people at a particular point, you could reduce the demand and thus, despite a good sensible monetary policy, produce a result one didn't want.

Mr. McCracken. Oh, yes.

Representative REUSS. You do therefore include this little emendation to your statement?

Mr. McCracken. Yes. When I used that term "thus in a sense," I put this in advisedly. In other words, what I was trying to do is emphasize there that fiscal policy has a greater monetary dimension than perhaps we have always realized.

Representative REUSS. I think you are absolutely right.

Mr. McCracken. That was the only point.

Representative REUSS. Let me now apply that as you do to the situation confronting us. It seems to me that what you are saying is that we need a monetary policy of moderate ease in the year ahead. You talk about something like a 6-percent increase in the money supply, defining money supply as ordinary money supply plus time deposit.

Mr. McCracken. Plus time deposits, yes.