and to the extent that they vary sharply from this outline they would come again to the Joint Economic Committee and say why. How do you feel about this kind of requirement by the Congress?

Mr. SMITH. Well, I think full reporting by the monetary authority, in our case the Federal Reserve Board, of the actions it has taken in an attempt to explain why it took those actions is extremely important. For myself, I do not tend, to regard the money supply as the best or most useful indicator of monetary conditions. It is certainly one thing that everybody should keep his eye on, but I tend to take the view that a monetary policy states primarily the terms of lending and interest rates. These should be what we keep our eye on primarily, because all the studies of monetary policy indicate that those credit factors influence spending in the economy—not the money supply, itself. There is a considerable substitution between money and other assets constantly going on within the monetary sector of the economy and this makes for a somewhat loose relationship between the stock of money narrowly defined and the level of expenditures in my way of thinking. So I do not think you can conduct a satisfactory monetary policy by simply looking at the money supply.

Senator PROXMIRE. We would not expect them to. We thought that would be a fairly simple way. It is in the Constitution that we have the power to coin money and regulate the value of it. We have seen, in hindsight, a very perverse performance by the Federal Reserve Board decreasing the money supply in the recessions of 1949, 1954, 1958, and 1961, and of course drastic decrease in the 1930's, all of which I think have been wrong.

At any rate, it is good to have you as a member of the Council. I am sure you will do a fine job. I think you have remarkably good qualifications for it and experience and background. Thank you, sir.

Mr. SMITH. Thank you, sir.

Senator PROXMIRE. Thank you, Mr. Smith. We appreciate your being before us. We wish you well in your new task.

Mr. SMITH. Thank you.

(Thereupon at 10:05 a.m. the committee proceeded to other business.)

(Excerpts from the Employment Act of 1946 and related laws follow:)

EMPLOYMENT ACT OF 1946, AS AMENDED, AND RELATED LAWS

(60 Stat. 23)

[PUBLIC LAW 304—79TH CONGRESS]

AN ACT To declare a national policy on employment, production, and purchasing power, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

SECTION 1. This Act may be cited as the "Employment Act of 1946".

DECLARATION OF POLICY

SEC. 2. The Congress declares that it is the continuing policy and responsibility of the Federal Government to use all practicable means consistent with its needs and obligations and other essential considerations of national policy, with the assistance and cooperation of industry, agriculture, labor, and State and local governments, to coordinate and utilize all its plans, functions, and resources for the purpose of creating and maintaining, in a manner calculated to foster and