

Wednesday, May 15—10:00 a.m.

Problems of Policy Determination as Viewed from Within the Federal Reserve System:

George W. Mitchell, Member, Board of Governors of the Federal Reserve System.

Daniel H. Brill, Director, Division of Research and Statistics, Board of Governors of the Federal Reserve System and Economist, Federal Open Market Committee.

Thursday, May 16—10:00 a.m.

Monetary Tools as Viewed from Within the Financial and Banking Community:

Tilford C. Gaines, Vice President and Economist, Manufacturers Hanover Trust Co.

Orson H. Hart, Vice President and Director of Economic Research New York Life Insurance Co.

Guy E. Noyes, Senior Vice President and Economist, Morgan Guaranty Trust Co.

The importance of monetary policy as an instrument of economic stabilization is so evident that the Joint Economic Committee has a responsibility to conduct regular reviews of the subject. We have done so in the past, and the experience of the past 2½ years gives particular emphasis to the need for our present inquiry.

We have approached and are now doing our best to keep a sustainable high level of employment. In the process, naturally, there have been strains. The monetary authorities have had to react to events as they appeared. Some of the problems have no precedent—despite startling historical analogies drawn by the Chairman of the Board of Governors of the Federal Reserve System.

The Joint Economic Committee, on its part, has made some specific policy recommendations. These have been somewhat tentative—pointing the direction in which we thought policy ought to move. At the same time we are very much aware of this need for more answers than any of us have.

The Congress has delegated to the Federal Reserve the responsibility for managing the Nation's money and the Fed has a considerable degree of independence in exercising its authority.

The first question is whether the Congress can improve its guidance or advice to the Fed.

The language of the Employment Act is very broad. But some ideas about how monetary policy should be conducted are very specific.

We should all prefer a simple rule of procedure. But the job of money management is complex, and there is sharp debate on whether any simple rule can be valid.

Besides, we need to have an exchange of ideas with the Fed. A second question thus concerns the Fed's explanations of its aims and actions. Mr. Reuss has likened this exchange of views to a conversation between two people, one speaking Swahili and one speaking Urdu. I don't speak either.

I do recognize the words the Fed uses. But I don't always get what—if anything—they mean. Financial metaphors are not easily understood by the layman or the legislator. The metaphors are often muddled and so are the listeners.

We must not let this difficulty of communication stand in our way. We must not be mystified and we must not accept a financial "mystique."