STANDARDS FOR GUIDING MONETARY ACTION

THURSDAY, MAY 9, 1968

CONGRESS OF THE UNITED STATES,
JOINT ECONOMIC COMMITTEE,
Washington, D.C.

The committee met at 10:10 a.m., pursuant to recess, in room S-407, the Capitol, Hon. William Proxmire (chairman of the joint committee) presiding.

Present: Senator Proxmire; and Representative Griffiths.

Also present: John R. Stark, executive director; William H. Moore, senior staff economist; John B. Henderson, staff economist; and Donald A. Webster, minority staff economist.

Chairman PROXMIRE. The Joint Economic Committee will come to order.

This is the second of our current hearings on monetary problems. Yesterday our witnesses gave testimony that was in the main skeptical of the usefulness of simple general rules to guide the operations of the Federal Reserve Board.

The objectives could be formulated in general terms they thought but not the specific limiting guidelines.

Today by contrast at least two of our witnesses are known to be sympathetic to the idea of guidelines for monetary policy. We welcome Professor Christ of Johns Hopkins, Professor Dewald of Ohio State, and Professor Selden of Cornell.

Professor Christ, you might go right ahead. You understand that we have a limitation of 20 minutes on the presentation, although I see you have a nice concise statement and I presume you can present it in less than 20 minutes.

STATEMENT OF CARL F. CHRIST, PROFESSOR, DEPARTMENT OF POLITICAL ECONOMY, THE JOHNS HOPKINS UNIVERSITY

Mr. CHRIST. I was told 10 and I hoped you might give me an extra 10 percent if I needed it.

Chairman PROXMIRE. Of course.

Mr. CHRIST. I am very glad to be here today, Senator, to contribute what I can and also to learn from the committee and my fellow witnesses.

The central questions before us today are whether the Federal Reserve (*a*) *can* and (*b*) *should* cause the stock of money to increase fairly steadily at a rate of about 3 to 5 percent a year, and (*c*) what circumstances, if any, would justify a higher or a lower rate of growth of the stock of money.

The main objectives of monetary policy are full employment and a stable price level.

94-340—68——6