

TABLE 3.—AVERAGE ANNUAL GROWTH RATES OF SELECTED INDICATORS FOR THE U.S. ECONOMY OVER THE PERIOD FROM 1948 TO 1967
(In percent)

	Total	Per capita
1. Price level (GNP deflator).....	2.1	-----
2. Population.....	1.6	-----
3. GNP in money terms.....	6.0	4.4
4. GNP in real terms.....	3.9	2.3
5. U.S. Government debt privately held.....	0.7	-0.9
6. Time deposits (commercial banks).....	8.7	7.1
7. Money stock (currency plus demand deposits).....	2.4	0.8
8. Money stock plus time deposits.....	4.6	3.0
9. U.S. Government debt privately held, in real terms.....	-1.4	-3.0
10. Time deposits, in real terms.....	6.6	5.0
11. Money stock, in real terms.....	0.3	-1.3
12. Money stock plus time deposits, in real terms.....	2.5	0.9
13. Velocity of money (GNP divided by the money stock).....	3.6	-----
14. Interest rate (Aaa bonds).....	3.6	-----

Source: Federal Reserve Bulletin, and Economic Reports of the President, 1968.

Chairman PROXMIRE. Thank you, Professor Christ.
Professor Dewald, you are recognized.

**STATEMENT OF WILLIAM G. DEWALD, PROFESSOR OF ECONOMICS,
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Mr. DEWALD. I have a series of questions that I have raised myself.
Chairman PROXMIRE. You have a somewhat longer statement too, I see.

Mr. DEWALD. I am not going to read it, if that is acceptable?

Chairman PROXMIRE. All right.

That is why I mention that because the entire statement will be printed in full in the record.

Mr. DEWALD. The first question: Has the Federal Reserve controlled the money supply? I think there is persuasive evidence that it has not attempted to or at least has not effectively controlled monetary growth.

There are very erratic movements in the quantity of money from week to week or from month to month as is evidenced by the behavior in 1967 and so far in 1968. The tremendous increase in money in January of this year, essentially no change in February, a rapid increase again in March, and though the April statistics are still preliminary, apparently very little change in April. On again, off again.

Perhaps that makes sense from the point of view of short-term patterns, but when one looks at cyclical movement of the quantity of money, I wonder whether it does. On the average monetary growth proceeded at a 2.6 percent annual rate over the period 1957 through 1967.

From the period August 1962 through August 1965, as the economy was proceeding on its course toward full employment, there was an acceleration in the rate of monetary growth to 3.6 percent. That also made sense perhaps. But conceivably that increase in monetary growth would have made more sense if it had come earlier in the period, when the level of employment relative to capacity in the economy was a lot lower.

But then, from the period August 1965 through April 1966, when increased spending threatened to be inflationary, monetary growth occurred at a 7.6 percent annual rate.