control is possible than would be indicated by that 80 percent figure, on the basis of a kind of monetary policy, if directed at moderating variation in monetary growth, that would react to recent observations. The Federal Reserve does have weekly average statistics on the money supply, and if the greater monetary growth one week is out of line from that which is desired, quite obviously there are changes of policy instruments in the subsequent week that can affect the amount of money. And on the basis of the reasonable predictability of the noncontrolled factors that affect money, I think there is no question that over the course of a period as long as a quarter, the rate of monetary growth can be made anything that the Federal Reserve wanted it to be—or if directed by the Congress, anything that the public wants it to be.

There is a statistical problem in terms of feedbacks in the effects of changes in instruments on the quantity of money. However, on the basis of such a bracketing policy as I suggested, and the degree of predictability of noncontrolled factors, that is likely, I think it is quite reasonable that money could be controlled.

As far as questions about the effects of moderating monetary growth, let me point out that I do not think that a fixed rate of monetary growth is necessarily the best policy. But it is a norm against which we might compare particular policies.

If we moderated monetary growth, there would be some important effects on market interest rates. From the point of view of day-to-day and week-to-week money market conditions, there would be a greater degree of interest rate variability than presently. I don't think you can establish that on the basis of the evidence in the United States over the course of the Federal Reserve period, because of the fact that the Federal Reserve has taken as its objectives to act as a kind of shock absorber to buy securities when the market is tighter than it wants it to be, and to all securities in the opposite circumstances.

But there is evidence elsewhere. I spent last year in Australia at the Reserve Bank of Australia. The money market there is operated on a somewhat different basis than here. There are wider spreads than in the United States between the buy and sell prices on securities that the Reserve Bank of Australia uses in stabilizing the money market, and there are correspondingly wider variations in short-term interest rates on a day-to-day, week-to-week, or seasonal basis in Australia than in the United States. Increased short-term variation in interest rates is one of the likely consequences if there were moderation in the rate of monetary growth variation.

There is additional evidence about this. If you look at the period before the Federal Reserve, there was much seasonal variation in interest rates. There is still a bit but certainly there was a greater amount of it before the establishment of the Federal Reserve. Also, there was a period in the 1930's when the Federal Reserve conducted no market operations—the Pontius Pilate effect, it washed its hands of the whole matter. If you look at that period there was interest rate variability on a short-term basis, which resulted from noncontrolled factors. And finally, if you look at statements of Federal Reserve officials, they have in mind that they are stabilizing money market conditions and interest rates in response to variations in the short-term demand for money that would otherwise cause variability in market conditions and interest rates.