will be felt fairly soon. However, work by others, including Prof. Thomas Mayer and Prof. John Kareken and Robert Solow and even the Federal Reserve Board's own staff, has established rather definitive the reality of monetary lags. Moreover, Friedman readily admits that some of the effects of policy changes will be felt quite quickly; what is vital to his position is that a substantial portion of the effects are not felt until long after they are needed, and his critics have not been able to fault him so far on this point.

While nearly everyone now accepts long monetary lags as a fact of life, most students of monetary policy remain unconvinced about the wisdom of setting guidelines for the Federal Reserve. This is particularly true of the policymakers themselves.

Failure of the pro- and anti-guidelines advocates to reach agreement can be attributed largely to disagreements on the following three points. First, the advocates of discretion seem to have different objectives of monetary policy in mind than do the advocates of guidelines. Second, there is disagreement on the theory of monetary policy, that is, on the channels through which policy changes influence the economy's ultimate goals. Third, although this is something of a red herring, it is contended by the advocates of discretion that the best rule for the 1960's may be wholly inappropriate for the 1970's or some later period; rules inevitably become obsolete. I shall offer a few comments on each of these sources of disagreement.

It is commonplace to observe that the ultimate goals of economic policy, including monetary policy, are to maintain (1) high levels of employment of the economy's resources, (2) a stable price level for goods and services, (3) equilibrium in the balance of payments, (4) efficient patterns of resource use, and (5) an adequate rate of economic progress, whatever that may be. The Federal Reserve authorities, of course, affirm these objectives like everyone else. Yet at least three other objectives seem to play a role in the Fed's determination of proper policy. One such objective is to aid the Treasury in its task of managing the Federal debt. A second objective is to avoid making membership in the system unattractive to member banks. This unspoken objective appears to be the major explanation of the Fed's forthcoming liberalization of policy at the discount window. A third implicit objective, often lost sight of by academic critics of the Federal Reserve, is protection of the money market against the random shocks that continually buffet it. One gets the impression from reading their commentaries that Federal Reserve officials regard the money market as a delicate plant that needs constant attention in order to survive.

It should be noted that lags probably do not interfere significantly with the Fed's attainment of these three "lesser" objectives—in sharp contrast to the ultimate goals discussed earlier. On the contrary, adoption of simple monetary guidelines such as Friedman's 4 percent growth rule or mandatory stabilization of a price index would require abandonment of at least some of these special Federal Reserve objectives, especially that of protecting the money market.

My own view is that these are unworthy objectives that should be rejected in any event. Although I cannot pose as an expert on the money market, I am inclined to think that the Fed as an exaggerated view of the value of the role it is playing in the market. Furthermore, I see no justification for constraining monetary policy in order to