Chairman PROXMIRE. Right.

Mr. DEWALD. That means that instead of the money supply falling, broadly defined, by a third from 1930 through 1933, it would have increased by several percentage points—net difference probably about a 75-percent larger quantity of money in 1933 than there actually was. If the money supply had been 50- to 100-percent higher than it was in 1933, would that have made a difference? Would fewer banks have failed? Would that have affected the demand for currency?

Chairman PROXMIRE. After 1933 none of them failed. The FDIC was established.

Mr. DEWALD. No, when we lost that many thousands you know people were sufficiently frightened that I think the effect of the policy——

Chairman PROXMIRE. Maybe it is Democratic instincts, I am trying to defend Roosevelt's policies and keep Hoover out of it.

Mr. CHRIST. We can stop at March 1933 and still make all these statements.

Mr. DEWALD. By all means.

Mr. CHRIST. The greatest damage was done by 1933. It is perfectly clear that the central bank could have prevented the stock of money from declining.

Chairman PROXMIRE. My time is up but it is just a revelation to me you very, very distinguished economic scholars contend, at least the implication is, that much of the depression and terrible unemployment that we had in the 1930's, and it continued until 1941 really might well have been avoided if we had followed a policy of creating money in view of the fact that I had always had the notion that during much of this period 1935 on that interest rates were very, very low. But again I will have to go back and review that more closely. It has been most enlightening.

Mrs. Griffiths?

Representative GRIFFITHS. Thank you.

Would it be true or not that the more rigid the monetary policy the more flexible the fiscal policy would have to be?

Mr. CHRIST. Do you want to ask anyone of us in particular?

Representative GRIFFITHS. Any one of you to answer.

Mr. CHRIST. I will be glad to volunteer.

I think the monetary and fiscal policy are connected to each other in the sense that, as I tried to point out, the Government expenditures are going to be financed by some combination of taxing, borrowing from the public and increasing the money stock. And if we impose a rule on what the Federal Reserve can do with the money stock, then whatever adjustment has to be made in financing Government expenditures will fall more heavily on taxation and on borrowing from the general public. So in this sense, if we should, through the Congress, state to the Federal Reserve that we want them to follow a rule, then I think it would behoove the congressional authority to realize that it is going to have to make some adjustment in order to keep the deficit and the surplus from being too large or else the burden will be very great on the debt market when the Treasury tries to sell securities.

Representative GRIFFITHS. Have you noted recently how hard it is to change the fiscal policy of the Government?

Mr. CHRIST. Yes, I have, and I am very pleased at the news this morning.