Representative GRIFFITHS. It is very difficult.

Mr. CHRIST. Yes; that is right.

Representative GRIFFITHS. First, the Federal Reserve was crying havoc 15 months ago and asking for a tax increase.

Mr. CHRIST. Right.

Representative GRIFFITHS. Now, it fell really on deaf ears. Then finally, approximately 2 months ago, it was decided that you could only have a tax increase if you cut expenditures. Now, we are frozen into that position. But 2 months have passed and everything looks considerably worse, and I would think you would try for a tax increase only.

Mr. CHRIST. I think that would be better.

Representative GRIFFITHS. I am sure it could be done.

Mr. CHRIST. I think the Federal Reserve could have pointed up the issue more strongly and perhaps incurred some congressional displeasuer but perhaps also have raised the flag more vigorously in favor of a tax increase by keeping the increase in the money stock last year below what it was. What the Federal Reserve did, in effect, was to say "here we have this deficit, it is rather large. We will support it by increasing the money stock very greatly." If they had done that a little less, if they had increased the money stock a little more slowly, interest rates, my guess is, would have been at first, higher, and this would have been more of a signal in the economy that we needed a tax increase, I think.

Representative GRIFFITHS. The real proof is that it would be better if both policies were in the same hands.

Mr. CHRIST. Ultimately they are, they are in your hands, you and the other 500——

Representative GRIFFITHS. We have nothing to do with the monetary policies.

Mr. CHRIST. Oh, yes, you do.

Representative GRIFFITHS. Not that much.

Mr. CHRIST. The Constitution gives you the right to tell the Federal Reserve how to act.

Representative GRIFFITHS. But we never really have done much about any of it. We are too slow to react. We are not really reacting. We are already frozen into a position that in my judgment is ridiculous.

Mr. SELDEN. I think there are two kinds of lags that are involved in what you and Professor Christ are talking about. There is a lag between the need for a policy and the adoption of a policy. But there is a second kind of lag which we were talking about earlier in reference to monetary policy—between the taking of the step by the Congress or by the Federal Reserve and the effects of the step on the economy. So it is even worse than you are saying. It may be sometime before the policy changes are made, and after they are made it will be sometime before they are having their full effects on the economy, and it may very well be.

Representative GRIFFITHS. At the worst time.

Mr. SELDEN. Be completely inappropriate at that time.

Representative GRIFFITHS. I would like to ask you about the velocity of money. Wouldn't there be a certain level of income where the velocity is constant.

Mr. DEWALD. No; I don't think so.