On that basis, I think we can fault the Federal Reserve not on the fact that lags are as long as some once thought, but on the basis of the fact that its policy stance has not been countercyclical, assuming that there is no lag.

Chairman PROXMIRE. Would you all agree that during the last year or so the policies of the Federal Reserve have been inflationary? This is a period of inflation, and they have been increasing the money supply at a much more rapid rate than the growth in the economy?

Mr. DEWALD. Over the past year? Certainly.

Mr. SELDEN. Yes; over the past 3 years, on net.

Chairman PROXMIRE. Inflation.

You all agree that this policy has been in error?

Mr. SELDEN. Yes.

Chairman PROXMIRE. Of course, we have the advantage of hindsight, but it has been in error; it has been wrong.

Mr. DEWALD. Yes.

Chairman PROXMIRE. The national interest would have been better served if they increased the money supply at a lesser rate during this period, just as it would have been much better served if we increased the money supply at a much more rapid rate in the thirties and in much of the fifties, perhaps.

Mr. DEWALD. And in 1966 as well; yes.

Mr. SELDEN. Yes.

Chairman PROXMIRE. It would have been steadier.

Mr. DEWALD. Yes.

Chairman PROXMIRE. Let me just ask about the point that you make on Congressman Reuss' proposals.

It seems to me, Mr. Selden, you say they are good, and then you knock them all down. I am inclined to your knocking them all down because the testimony yesterday was they liked the Reuss proposals because they just seemed to destroy the limitation. In other words, if you say you have a limitation of 2 to 5 percent or 3 to 6 percent or something, and then say but, you can make exceptions pretty much whenever you want to, it would seem logical to do so, you do not have any effective limitations.

Mr. SELDEN. My feeling was that——

Chairman PROXMIRE. Why do you think they are a good idea, better than what we have now?

Mr. SELDEN. I thought the preamble or the major statement of the proposal was the thing we should focus on, and I took that as the guts, so to speak, of the proposal.

I think Representative Reuss' heart was in the right place, and then I think he had some second thoughts perhaps. He was a little afraid that this was too constraining, and so he built in contingencies. He is trying to take account of contingencies in all of these six qualifications or seven qualifications that he has listed. So I will accept the first statement, but I do not think the qualifications are needed.

Chairman PROXMIRE. None of the exceptions.

Mr. SELDEN. Yes.

Chairman PROXMIRE. It is kind of a list of—I think it would help our monetary policy very, very greatly if we could follow what Governor Robertson suggested to the Senate banking committee the other day, and that was insulate our monetary policy from considerations