tonight is for a return to a little more scientific dispassion and a little less polemics.

Though I am sure all of us deserve to be given stern lectures on this score, I'll start tonight by chastising my money-supply friends. The hallmark of the contemporary anti-Keynesian is his disdain for the use of fiscal tools of stabilization policy, just as the hallmark of the primitive Keynesian a generation ago was his disdain for monetary policy. On what theoretical grounds does this reversion to economic monotheism rest? An elegantly simple—and therefore attractive—formulation of the theory of causal forces in the determination of changes in aggregate economic activity and prices, buttressed by voluminous (if not always persuasive) statistical evidence to support the thesis. Changes in the money supply emerge as the major determinant of changes in nominal income. From an exhaustive study, covering the monetary evidence of almost a full century of U.S. experience, the most distinguished proponent of the theory—Professor Friedman—arrives at the following conclusion:

> While the influence running from money to economic activity has been predominant, there have clearly also been influences running the other way, particularly during the shorter run movements associated with the business cycle. * * * Changes in the money stock are therefore a consequence as well as an independent source of change in money income and prices, though, once they occur, they produce in their turn still further effects on income and prices. Mutual interaction, but with money rather clearly the senior partner in longer run movements and in major cyclical movements, and more nearly an equal partner with money, income and prices in shorter run and milder movements—this is the generalization suggested by our evidence.

While my own reading of the evidence puts less weight on money as a causal factor than does Friedman's, I do want to call attention to the judiciousness with which he words his conclusions. Money matters, and is apparently a "senior partner"—though, note, even so only a partner—over longer run episodes and major cycles in the economy. But in the short run, changes in money may be as much a result as a cause of economic fluctuations. More importantly, the statement leaves a clear field for factors other than money as causal forces affecting changes in economic activity, particularly so with respect to milder and shorter run economic fluctuations—presumably of the kind we have had since World War II.

What happens, however, when Professor Friedman begins to interpret recent economic history for a lay audience? Take, for example, his interpretation of economic events since mid-1965, in the October 30, 1967, issue of Newsweek. It turns out, as you might expect, that the villain of the piece is monetary policy—which permitted too rapid a growth in money supply up to April 1966, too slow a growth from then till December 1966, and too rapid a growth in 1967. Did the massive buildup of defense spending from mid-1965 on, without adequate offset by higher taxes, have much to do with aggregate demands on goods and services and on the behavior of prices? Not much apparently. "What happens to taxes," says Mr. Friedman, "is important. It may affect the level of Government spending. It may affect the rate of interest that accompanies whatever monetary policy is followed. But it is not decisive for the course of prices."

Thus, in scholarly works, nonmonetary factors are assigned significant weight in influencing activity and prices in shortrun economic