As you know, we have had suggestions of this kind in our Joint Economic Committee reports for each of the last 2 years. It is based on the following reasoning:

No. 1, that the economy should, from an optimum standpoint, grow at a rate which reflects the growth and productivity in the economy, which varies from perhaps 2 percent to 3 percent, sometimes a little less or a little more; and the growth in the work force, which together would suggest a real growth of around 4 percent perhaps, a little less or a little more. That a neutral monetary policy would therefore provide for a growth in the money supply to reflect the growth in the real gross national product, on the assumption that, as I say, the resources are utilized.

The 4 percent growth, however, should of course be tempered on the down side or the up side, depending upon the situation, and we suggested that 3 to 5 percent or 2 to 4 percent, and it has been suggested 2- to 6-percent.

The reason for the limitation is that there has been a record of what appears to be perverse action by the Federal Reserve Board. In each of the recessions—1949, 1954, 1958, 1960—the Federal Reserve Board decreased the monetary supply. We know the monetary supply is only one indication, only one evidence, maybe not even the best evidence by a long shot, of monetary policy; but it is one, and it is a simple one, and it is one many people understand.

Therefore, in view of the fact that the policy has been perverse, and we have had an even more appalling example in the 1930's, when reserve requirements were doubled in 1937, at the time when we had terrific unemployment, and underutilization of resources, we feel that perhaps it might be well worth considering the possibility of this kind of limitation.

I might say one more thing before I ask you to go ahead. Yesterday I think we arrived at a position which may be a little more realistic from a political standpoint. We feel that rather than try to press through the Congress a mandatory money supply limitation which is very hard to get with the unanimous opposition of the Federal Reserve Board, and such relatively little interest on the part of many Members of Congress, that it might be desirable to provide for a 2- to 6-percent suggested limitation, and at the end of any quarter in which the Federal Reserve Board fails to increase the money supply by at least 2 percent, or increased it by more than 6 percent, that they come up before the Joint Economic Committee and explain why they did it; and that in the second place, that we follow a policy of requesting the Federal Reserve Board to make a monetary report at the beginning of each year, like the President's Economic Report, setting forth the expectations that they have for monetary policy during the coming year as specifically as they can make them, with indications of why they think restraint or expansionary policies are called for and desirable, and then, of course, that could be explained; any deviations from it could be explained at the time of the quarterly hearings.

We feel that this might be a way of getting a much greater discussion, interest, understanding, rationalization on the part of the Fed. Many of the thinks they do now are very well reasoned, but nobody