

Still I would think bank credit, total bank credit expansion, and the movements therein would be more appropriate than the money supply under current conditions, and I certainly would want to know something about total reserves.

In any event, however you do it, I don't see any reason why the Fed should not be called upon at some appropriate interval to explain what they have done, and why they did it.

Senator PROXMIRE. Mr. Noyes?

Mr. NOYES. Well, I can comment very briefly, Senator. I think the thing that disturbs some of us about the use of the narrow money supply target is not that it would not work all right as a trigger, but the implication involved that the committee has reached a conclusion that this is the critical target.

We do not feel it is the critical target.

While you can use it as a trigger for these reports, we are reluctant to see you adopt it and give it—

Senator PROXMIRE. Why isn't it proper to have a stable and regular increase in the money supply within certain limitations?

Again, I say if it is not, let them say why.

They can always increase it 10 percent or cut the money supply although I do not think we ought to do that, but if they do, let them explain it.

Mr. NOYES. I do not object to that, sir.

Senator PROXMIRE. I know you don't object to that, but you seem to imply there is something wrong with, say a 2 to 6 percent range.

Mr. NOYES. Let me be perfectly clear. I do not really object to it as using it as a basis for the proposed reporting procedure. The thing that troubles me about it is that it seems to give the endorsement of this committee to the narrowly defined money supply as the critical variable, and I do not feel, and I think many of my colleagues do not feel, that this is in fact the critical variable.

Senator PROXMIRE. This committee has done this for 2 successive years. We have done it by both the Republicans and Democrats agreeing, with almost complete unanimity. Congressman Reuss suggested some rather big areas of amendment or modification here, but the committee as a whole has taken the position that this ought to be regular.

You are saying that perhaps we should not do this. You see—

Mr. NOYES. No; I am afraid you have misunderstood me, sir.

Senator PROXMIRE. Let me just finish by saying what I am getting at is that I think that Congress has been impotent, very feeble in this whole area of influencing monetary policies. The Federal Reserve Board, rightly or wrongly, has controlled monetary policy completely, and we think they have made some very serious mistakes on the basis of our analysis, not only in the long past, but in the recent, in the very recent past.

I think we have a duty, in view of the destructive impact it has had on the economy, of trying to develop some influence on the Fed that will make their monetary policies more constructive. How can we do it if we do not have a 2 to 6 guideline for monetary growth?

Mr. NOYES. Let me be responsive specifically to that. I would be more comfortable if instead of saying a 2 to 6 percent rate of increase in the narrowly defined money supply you said a 7 to 10 percent increase in either total bank credit or the broadly defined money supply.