Mr. GAINES. Mr. Reuss, I think it would be useful as a first approximation of the sort of measure that you are working toward. It might be useful for the Congress to ask the Federal Reserve System, in recognition of the responsibility the Congress does have in this area, to propose the sore of guidelines, the framework of guidelines within which they would report to the Congress.

Representative REUSS. In a sense that was what I was trying to start in our Economic Report of this year, when I took a stab at it in my supplemental views, and sent it to the Fed. You no doubt have read the Fed's comments on it, and also Mr. Mitchell's interesting testimony of yesterday. Many of the Fed's comments are well taken. Some points I had in there deserved to be shot down and were.

But we still do not know what the Fed's policy is, and it would seem to me, to take up Mr. Gaines' suggestion, that it would be fair enough to ask the Fed, all seven Governors, to come back to us with a composite statement of what they think the rules wherein they shall walk should be.

Mr. GAINES. Yes.

Representative REUSS. With the exit clause for unforeseen contingencies that I have mentioned.

Mr. GAINES. The people in the Fed would be the first ones to deny that they understand fully the exact way the financial flow process in this country works. On the other hand, they have expended a great deal of excellent talent in their linkage studies and in the development of the MIT model.

Representative REUSS. The MIT study?

Mr. GAINES. Yes.

Representative REUSS. That is most important.

Mr. GAINES. I would think they would at least be able to suggest to you the kinds of guidelines in terms of credit flow and credit growth, as related to money supply and the rest, that would be appropriate for congressional interest.

Representative REUSS. Of it they cannot so respond, if they have to say back to the Joint Economic Committee, "Look, gentlemen, very frankly we are in the position that physicians were in in the 18th century and we do not really know whether our ministrations are helping or hurting the economy," then it would be fair for us to come back and say, "Well, this is a frank admission, and until you do, until the MIT-Fed study is more in hand and those equations are more properly plugged in, why do you not just do like Freedman suggests, more or less, perhaps with a little wider band?"

Would that be a fair rejoinder, if they come in saying, "Look, frankly, we do not know what we are doing"?

Mr. GAINES. I think that if the state of knowledge is not yet sufficient for them to provide a more sophisticated framework, that money stock would be an acceptable first approximation. It at least does get Congress involved in the process.

Chairman PROXMIRE. I would be a little afraid, if the Congressman would yield at this point, they would come back with a really sophisticated combination which they would make sure that very few outside of maybe Congressman Reuss and a few others would understand, and they would have a terrible time explaining it to anybody.