

My own prescription is still that the monetary authority go all the way in avoiding such swings by adopting publicly the policy of achieving a steady rate of growth in a specified monetary total. The precise rate of growth, like the precise monetary total, is less important than the adoption of some stated and known rate. I myself have argued for a rate that would on the average achieve rough stability in the level of prices of final products, which I have estimated would call for something like a 3 to 5 per cent per year rate of growth in currency plus all commercial bank deposits or a slightly lower rate of growth in currency plus demand deposits only.⁶ But it would be better to have a fixed rate that would on the average produce moderate inflation or moderate deflation, provided it was steady, than to suffer the wide and erratic perturbations we have experienced.

Short of the adoption of such a publicly stated policy of a steady rate of monetary growth, it would constitute a major improvement if the monetary authority followed the self-denying ordinance of avoiding wide swings. It is a matter of record that periods of relative stability in the rate of monetary growth have also been periods of relative stability in economic activity, both in the United States and other countries. Periods of wide swings in the rate of monetary growth have also been periods of wide swings in economic activity.

By setting itself a steady course and keeping to it, the monetary authority could make a major contribution to promoting economic stability. By making that course one of steady but moderate growth in the quantity of money, it would make a major contribution to avoidance of either inflation or deflation of prices. Other forces would still affect the economy, require change and adjustment, and disturb the even tenor of our ways. But steady monetary growth would provide a monetary climate favorable to the effective operation of those basic forces of enterprise, ingenuity, invention, hard work, and thrift that are the true springs of economic growth. That is the most that we can ask from monetary policy at our present stage of knowledge. But that much—and it is a great deal—is clearly within our reach.

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⁶ In an as yet unpublished article on "The Optimum Quantity of Money," I conclude that a still lower rate of growth, something like 2 per cent for the broader definition, might be better yet in order to eliminate or reduce the difference between private and total costs of adding to real balances.