

forthcoming financing militated against seeking a change in money market conditions at present. Moreover, even apart from the Treasury financing, most members felt that it would be premature to seek firmer money market conditions at a time when resumption of expansion in overall economic activity was in a fairly early stage; and some also referred in this connection to the growing expectations that the administration would press for measures of fiscal restraint. In addition, some members expressed concern about the possibility that any significant further increases in market interest rates might reduce the flows of funds into mortgages and slow the recovery underway in residential construction activity.

Was the Fed continuing to create money at the rate of 9 percent—in the face of the Joint Economic Committee's 3 to 5 percent "advice"—because of Treasury borrowing, the level of production, expectations about future tax increases, worries about residential construction, or what? What weight was assigned to these factors? We are not told.

Obviously, the Joint Economic Committee and the Fed are not talking the same language. In an effort to get the parties to the dialog to talk the same language, the following guidelines for Federal Reserve monetary action are suggested as a basis for discussion:

*The Federal Reserve System, through open-market operations, reserve requirements, and discount policy, shall endeavor to accommodate a growing full-employment gross national product by expanding the money supply (narrowly defined to include commercial bank demand deposits and currency outside banks) by 3 to 5 percent yearly, with the following qualifications:*

1. *The target figure should be adjusted up or down from the above band from time to time to reflect the extent to which time deposits in commercial banks, and in savings and loan associations, mutual savings banks, and credit unions, substitute for the narrowly defined money supply;*

2. *The target figure should be on the higher side of the band in periods of less than full use of resources, on the lower side in periods of full use of resources;*

3. *The target figure should be exceeded when resources are underemployed and simultaneously businesses are making exceptionally heavy demands on credit, not for current business expenditures, but for additional liquidity in anticipation of future needs or to replenish unexpected liquidity losses;*

4. *The target figure should be exceeded to the extent necessary to reflect the increase in dollar gross national product estimated to be attributable to cost-push inflation;*

5. *The target figure need be sought only over periods, such as 3-month periods, sufficient to allow the Federal Reserve System to accommodate large Treasury borrowings, with the averaging out to occur over the remainder of the period;*

6. *Balance-of-payments considerations should affect monetary policy only through varying the maturity of the Federal Reserve System's portfolio, so as to achieve to the extent possible appropriate interest differentials as between long-term and short-term securities;*