

rates to other would-be borrowers competing for restricted funds, or by an expansionary policy resulting in an inflationary levy upon investors and consumers.

The policies that regulate money and credit availability and use, as well as the policies controlling debt management operations and the expenditures and receipts of the Treasury, are all integral parts of an overall combination of policies. When the President, the Congress, and the Treasury have decided on a particular combination of expenditure and tax policies, they have already determined the magnitude of the Treasury's debt management operations, and by this channel have decided in large part the limits within which monetary policy will operate. If, as in fiscal year 1968, a deficit of over \$20 billion has to be financed, and this makes up a high proportion of the total of new credit sources, then clearly the Federal Reserve System and its managers are limited either to buying enough Treasury securities in the open market to facilitate absorption of the residue of this huge addition or, alternatively, to inducing a very sharp reduction in funding of private requirements.