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A set of projections and rules for monetary action, with opportunity to explain deviations, would be better than no guidelines at all

The Joint Economic Committee has on occasion made some rather specific recommendations for the conduct of monetary policy. These have been put forward with the intention of pointing directions in which Congress and the monetary authorities hopefully can improve the actions and policy of monetary management, through more explicitly stated objectives and guidelines. An awareness that almost any rule of guidance will have some drawbacks as well as advantages has been an important consideration in prompting this particular set of hearings.

The testimony and advice of the experts, together with the resultant exchange of ideas, lead us to what we believe is an improved restatement or refinement of our earlier proposals. These modifications are set forth more fully later in this report; but since the earlier statements have been so largely the focus of this study, it seems appropriate to repeat them here in this report as the best way of bringing out the types of problems involved and the kinds of revised rules which we hope will advance the discussion and sharpen the use of the monetary instruments.

In our report of March 1967, we said :

The committee urges that the monetary authorities adopt the policy of moderate and relatively steady increases in the money supply, avoiding the disruptive effects of wide swings in the rate of increase or decrease.

The committee is impressed with the increasing weight that many economists give to the importance of a steady rise in the money supply. Such rate of increase should be more or less consistent with the projected rate of growth—generally within a range of 3 to 5 percent per year. Sudden changes in the money supply give rise to instabilities in the economy. We are convinced that restoration of economic growth and avoidance of a recession demand such increases in the money supply as recommended above. [p. 14.]

The Joint Economic Committee, in its recent annual Economic Report of March 1968, again reiterated this recommendation of earlier years. The words in the current report are these :

We are thus convinced that a steady rise in the money supply more or less consistent with the projected rate of economic growth—generally within a range of 3 to 5 percent per year—would be a healthy, long-run ideal. But the very essence of such a policy is to avoid large and sudden changes or reversals.