

The paragraph just preceding reads:

* * * the Joint Economic Committee has consistently * * *
[urged] that the preferred course would be to follow a pattern
of steadily creating money in keeping with the growth in the
economy, aiming perhaps at the higher side of some range at
times of slow economic growth, and in years of inflationary
pressures leaning toward the lower end of the register * * *

The guidelines that can be devised for monetary action ought not to be interpreted as rigid directives. The evidence presented before the committee, by witnesses of different viewpoints, gave examples of exceptions to strict rules that were by no means rare contingencies. There has to be room for deviation from rules, and for the exercise of discretion in response to need.

On the other hand, a prolonged departure from what could be called a reasonable long-term range of variation of such an indicator as seasonally adjusted money stock, or credit proxy for money stock, does not appear to be justified. Even if neither the Fed, proclaiming its entitlement to be unrestricted by rules, nor its critics, asserting the need for such rules, has precisely traced the effect of, say, a zero or negative growth rate of money or a prolonged growth rate in excess of an annual rate of 6 percent, it is still reasonable to believe that such abnormal policies would generate instability.

One question faced by the committee was to designate an approximate time span for the measurement of changes in the money stock. The time basis used by Governor Mitchell in his testimony appears to be entirely adequate—the comparison of change from one quarter to another. A 3-month period is sufficiently long to allow abnormal and extreme temporary movements to be absorbed in an average, and it is short enough to provide a reasonably frequent measure of the course of events. Of course, seasonal adjustment will eliminate regularly recurrent variations in the course of any year.

The committee estimated that, on a quarter-by-quarter comparison, an appropriate normal range of increase in the money stock seasonally adjusted would be 2 to 6 percent per annum and that, on occasions when the rate of increase was outside this range, it would be wise for the Congress to take a prompt look at the Federal Reserve System's actions. Moreover, the Congress should have the benefit of periodic reports to review actions taken within the above range.

There is no intention to make the 2 to 6 percent range a permanent and unchanging one. Advances in banking techniques, economization in the use of those forms of credit within the definition of money, changes in business practices, in the rates of growth of population or productivity, or even in personal preferences—all can modify the desirable range of money growth rates. In the meantime, however, the pragmatic choice of 2 to 6 percent requires the Federal Reserve System to explain only significant abnormalities in monetary developments.

Furthermore, the Federal Reserve should give valuable guidance to the Congress in a reciprocal fashion, by making known its own estimates of quantitative developments in the national accounts, estimates that are prepared early in each calendar year and on which the