broad lines of monetary policy would be based. Unlike the periodic directive to the Manager of the Open Market Account, these projections are not required to be secret at all. While it is likely that the projections are similar to those used by the Council of Economic Advisers for the President's Annual Economic Report, there is some need for greater detail in the Federal Reserve System's expectations on monetary developments. These figures would, moreover, be useful in assisting Congress to pursue fiscal policies that would be compatible with the Federal Reserve's monetary policy.

Until about ten years ago, U.S. economic policies, and monetary policy in particular, enjoyed an unprecedented exemption from the need to take account of external reactions. Now, the U.S. balance of payments exerts a strategically important, if quantitatively small, influence on our fiscal and monetary posture. Relatively free movements of short-term funds between the United States and the increasingly developed Eurodollar market have the incidental effect of lessening the precision of Federal Reserve policy, in regard to money supply and in other ways. It is not the purpose of this report to go into detail on these problems, still less to advocate deflationary action in order to moderate the U.S. overall international deficit. But it is appropriate that the report recognize that at this time there is no conflict of prescriptions for attaining domestic and international objectives. At some other time, however, there may be conflict between domestic and international monetary prescriptions, in which case it will be necessary to decide on priorities, as well as to enlist the aid of fiscal policies.