FINDINGS AND RECOMMENDATIONS

I

The Congress should give serious consideration to providing more specific guidelines relating to the objectives of monetary policy—guidelines relating to the weights to be attached to the various objectives, among which are maintenance of continuously low rates of unemployment, reasonable stability in the purchasing power of the dollar, a high and stable rate of economic growth, and a stable exchange rate for the dollar. Such an attempt by Congress might yield two beneficial results: First, it might provide more specific guidance to the Federal Reserve in terms of goals or objectives. Second, the very process would afford Congress an opportunity to evaluate better the relative roles of monetary policies and of other policies, including various types of fiscal policies, in promoting and reconciling our economic objectives. However, as noted earlier in the report, these guidelines ought not to be interpreted as rigid directives.

II

Just as the Congress has the authority to fix Government expenditures and taxes, and thus largely to determine the budget surplus or deficit, the Congress has the responsibility of reckoning with the monetary consequences of its action. While the monetary authority granted to the Congress by the Constitution has been delegated to the Federal Reserve System, it behooves the Congress to provide some guidance to the Federal Reserve on how the System should see to the support of the Government's credit and, in particular, to what extent Congress regards the expansion of Federal Reserve credit as an appropriate way to finance any part of the deficit.

III

To provide a first approximation to an economic posture that would manage to maintain price stability while encouraging maximum employment and rapid economic growth, the Congress should advise the Federal Reserve System that variations in the rate of increase of the money stock (currency plus demand deposits adjusted) ought not to be too great or too sharp. In normal times, for the present, the desirable range of variation appears to be within the limits of 2 to 6 percent per annum, measured on a quarter-by-quarter basis—a range that centers on the rate of long-run increase in the potential gross national product in constant dollars, which is our sustainable real growth rate.

On any occasion on which the Federal Reserve System, deliberately or as a result of external monetary developments, has not maintained a money-stock growth rate within the desired range, the committee requests that the monetary authority report promptly to it, or to another appropriate body of the Congress, on the reasons that the Fed-