

not care what the mechanism is. Through a number of decades the mechanism has been a discount facility, a mechanism to allow the market to obtain a measure of relief at its own initiative so that it does not collapse. And that is the only function that I see for the discount mechanism.

Chairman PROXMIRE. Well, if necessary, they can always back off through open-market operations. If they feel they are not providing—

Mr. RITTER. But open—

Chairman PROXMIRE (continuing). Enough reserves they can buy—

Mr. RITTER. The open market does not hit precisely those areas of greatest need.

Chairman PROXMIRE. Then, we have to improve the operations of our Federal funds market, I should think. If it does not hit that area, then the banks that are in a particular position can be in a position—

Mr. RITTER. I am not that far away from disagreeing with you, but I think the reason is that I do not think it is that important, to begin with. Monetary policy is not that important within a rather broad range, nor is the discount facility that important. Nevertheless, it seems to me to be a useful device and, therefore, worth keeping. But if the discount facility were abolished, I would not think that would be the end of the world and if monetary policy acts more or less the way it has in the past two decades, that seems, to me, to be the most we can expect of it.

Chairman PROXMIRE. That is an interesting observation. You say it is not that important to begin with. If you cannot use effective fiscal policy with any rapidity, any speed, within a year or so, if you say monetary policy is not that important, you move to a position where when you are faced with an inflation, you use credit controls, price controls, wage controls.

Mr. RITTER. No. The only policies I would use are monetary and fiscal policies, but it seems to me that for the past 17 years monetary and fiscal policy together have achieved a rather acceptable degree of economic stabilization. They have done pretty well. We have had a pretty high level of employment, and not too inflationary an economy for the past 17 years. They are not perfect but they have done fairly well.

I think the problems of the thirties and the forties were the problems of economic stabilization. But they are not any longer the problems that are the major ones today. There are other problems that are pressing us now. We have solved the economic stabilization problem tolerably well and it seems to me it is time to move on.

Chairman PROXMIRE. Then you do not share the view of the Chairman of the Federal Reserve Board, for example, and of many Members of the Congress, and of many economists who feel that we have a—should have a real concern about the prospects of inflation. Or the view of other economists who feel—

Mr. RITTER. I think it is a matter of concern but we have done fairly well. This year we may have  $4\frac{1}{2}$  or 5-percent rate of inflation, which is not good, but over the past 15 years we have done fairly well. Roughly a 2- or 3-percent annual increase in prices.