

What I am saying is that it seems to me that we have monetary and fiscal policy fine tuned about as well as we are going to get it, and to try to fine tune it more is not going to give very much of a payoff.

Chairman PROXMIRE. And if we do get a situation where inflation seems to threaten to exceed the limits which you set of 2 or 3 percent, then you feel you are going to have to move in with some kind of controls rather than try and stem it by more vigorous monetary policy.

Mr. RITTER. No. I would stay with monetary and fiscal policy, which is what we have been doing. In recent months it has not worked immediately, but it is very difficult to stem inflation in wartime. I think it is amazing that we are fighting a war—I could stop the sentence there—but to continue it, I think it is amazing we are fighting a war with so little inflation as we have been having.

Chairman PROXMIRE. All the testimony we have had here, though, this is a 4 percent of GNP war. It is not the kind of war we had in Korea as far as the impact on the economy is concerned or the Second World War. It is a terrible and hideous kind of a situation that all of us would like to end as soon as we can but in terms of its impact on the economy, it certainly is of a different kind, not just degree with the war economy impact we have had in the past.

Mr. RITTER. Well, you see, those are the sort of problems that I think are more important today. I think this war has been fought on the backs of the elderly with inflation and on the backs of the kids with the draft and the great bulk of the population has escaped the burden of this war by and large, indeed has benefited from it, and this is a highly inequitable situation, to say the least. I think that the problems of racial polarization, urban reconstruction, and international conflict have replaced the problem of economic stabilization as the main problem, the main economic and social problems facing the country today. We have more or less solved the economic stabilization problem, surely as well as any country has in the world today.

Chairman PROXMIRE. None of them solve it very well.

Before I get to Mr. Gies, I think Mr. Robertson wanted to comment again; is that correct?

Mr. ROBERTSON. I wish to make one remark in response to Mr. Ritter's comment on Professor Friedman's statement. When I handed my testimony to three colleagues to read, each of them returned it with the first comment that I was beginning to sound like Milton Friedman. They meant, of course, that my insistence that we rely on the private marketplace for at least some of our advice about stabilization policy is in the free-wheeling tradition of the Chicago school.

I might add that I do not concur in Professor Ritter's comment that we have fine-tuned public policy as well as we can tune it. We could, for example, do what is commonly advocated by the fraternity of economists and give to the administration authority to raise or lower tax rates across the board by some maximum percentage, say 10 percent, so that we would not have the business of having to go to Congress every time some change in tax rates was made. I for one feel that the very proposal that we are discussing this morning would help us to fine-tune policy. It would leave open market operations as a basic determinant of the level of reserves and would let banks