

letin for January. This is a study by the Federal Reserve-MIT group, under the leadership of Frank Modigliani who is certainly one of the really fruitful minds in the profession.

There is a good deal of further working being done in this direction. I am working on some aspects of this myself.

My sense is that within a few years we will be able to produce a much more sensible integration of these two views. But I think that Mr. Olsen is correct in presenting them as being for the moment competing theories, neither of which is really satisfactory; and I think we should not conceal that there is a weakness in our economics at that point which impairs our ability to give first-rate policy counsel.

While the statement is brief, I think I can state what I have to say still more briefly, and if I may, I will accept the privilege of incorporating the statement, and making a few summary remarks.

You will have noticed that Mr. O'Leary puts a great deal of stress on the uncertainty of the situation in the large, and point by point as he analyzes aspects—each one of these has a lot of uncertainty.

It is plain that behind his presentation there is a certain amount of integration which does not appear on the surface. To some extent these uncertainties of his items are offsetting, and if there is less of one thing there will be more of another, which is implicitly taken account of in the way he presents things.

For all that, it seems to me the fact that we are at a crossroads and do not know which way the economy is going is the salient fact of the policy situation.

In particular, obviously, the overshadowing uncertainty of all is the economic impact of the war in Vietnam.

The budget picture seems to be that we have rather crested over, and that this should run, roughly, level. It seems to me this is the kind of thing that does not happen, this is the kind of cost that goes either up or down. And I would say here—as I would also say of a lot of the business decisions—that the decisions which will settle this are still open, or insofar as they have been taken, they are behind the scenes. But, I think, on the whole, they are still open.

It seems to me there is such a thing as a policy which can hedge our bets, so that the policy will work fairly well over a range of possibilities. The object of the game is not to find the policy which would be best if we took our best guess and called that a certainty, but to find the policy which will give enough freedom of action so that things can turn out well over the range of uncertainties.

One aspect of this is the question of cost-price problems. If we knew the economy was going to soften, let's say that the Vietnam war was going to be terminated, and we could wind it up and release these tensions, we might be able to postpone this cost-price question.

It seems to me this postponement would be too risky, and that the recommendation that has been made for setting up an agency (outside the Council of Economic Advisers) to focus on the problems of the wage-price guideposts is a sensible recommendation at this point.

I must say when you list the kind of thing that seems to be possible to improve the price mechanism, this leads into a very wide swinging line of activity.

My general position would be that our wage-price structure has