1967, they swung the ship in the other direction and created money at the rate of 9 percent on an annual basis.

We do not learn anywhere from reading the minutes of the Open Market Committee or from anything else just what are the factors which the Fed feeds into its computer. We read the minutes, and we see that somebody says we have to help the Treasury this morning, or somebody else says even though our inner voice tells us we ought to ease up on money creation; nevertheless, what will this do to the housing market?—so, better not do it. And another says—the administration has a tax program coming up, maybe we should go on for a while doing what we are doing, even though we know it is not exactly the right thing to do.

I cannot possibly work out any formula from this. There seems to be those three views. At the moment, until we know more, until the Modigliani study is carried forward, and we get some answers, the Joint Economic Committee's proposed monetary policy is the best of the three—the least harmful.

I would welcome your comments, Mr. Olsen.

Mr. OLSEN. Well——

Representative REUSS. And do not be polite to us.

Mr. OLSEN. As you know, from my prepared remarks, I have already endorsed the Joint Economic Committee's view on monetary policy to avoid the wide swings.

I am not unmindful, however, of the fact that the execution of monetary policy is made difficult by the wide swings of fiscal policy. And this, of course, was the main part of my remarks to you.

However, I do feel that in this respect we should let fiscal policy worry about monetary policy instead of vice versa. Because, otherwise, you get an overall perverse policy, which misses entirely the target of high growth at relatively stable prices. And I feel that the range proposed by the Joint Economic Committee here at least aims at that kind of an approach, I think—rather than the wide swings which the Federal Reserve has pursued.

Representative REUSS. Mr. O'Leary?

Mr. O'LEARY. Well, my answer would be quite along the same lines. I would put it this way.

In the early sixties we heard a lot about the new economics. And, basically, I am pretty much a disciple of the new economics. In the period of the early sixties, when we needed a strongly expansionary policy, we took the approach which I think was right—the tax reduction. I subscribed to that. I think it was necessary.

But I think implicit in the new economics is the idea that fiscal policy and monetary policy will work together, and just as in the early sixties it made sense to cut taxes, it seems to me that since mid-1965, with the escalation of the war in Vietnam, and the movement of the economy to full employment, it made sense to raise taxes, or at least to cut expenditures, or to exercise fiscal restraint. Let us put it in those terms—so we do not enter into the question of whether it would have been better to raise taxes or cut expenditures.

But, just as it was right in the early sixties to ease things from a fiscal point of view, from mid-1965 on, I think, we ought to have applied more fiscal restraint.