quarter changes, it makes sense to adopt policies in the right direction, in the face of the outlook that you perceive.

Again, here, I think that the evidence he presented on the Council's ability to forecast the future was not really a fair test.

Senator JORDAN. Now, Mr. Ture, for rebuttal.

Mr. TURE. Let me first concede fragmentary points wherever I possibly can.

Indeed, the tests that I refer to do not establish a case, nor are they intended to. The burden of proof rests upon those who advocate that certain actions be taken because they confidently expect certain results will follow from those actions.

All I say is that if in fact you test whether or not with those actions that have been taken in the past, the results that are expected follow, you find that the evidence indicates there is no reliability in the outcome at all.

So you may build econometric models from here to Sunday, and indeed that is what you generally do in order to establish this point. The very fact is that if you make a scatter diagram showing changes in the fiscal parameters, and either lag one quarter, lag two quarters, lag three quarters, lag four quarters, changes in gross national product, it looks to you as if you are seeing a snowfall, no relationship exists.

Let me say on the contrary, I don't want to then be put in the position of saying that there is indeed a simple explanation for changes in aggregate demand. I make that statement as a precautionary observation, because I am now about to adduce a relationship as a substitute.

If in fact you plot changes in the stock of money, and lag the changes in gross national product, you see a very close fit in the data.

Senator JORDAN. Mr. Chairman, my time is up, but it looks like Mr. Schultze wants to get in on this.

Mr. SCHULTZE. My only point is on the business of testing fiscal policy against subsequent changes in GNP.

It is like the doctor giving antifever medicine, and it is not quite fully successful. Every time he gives the medicine, you notice that the patient's fever comes up.

Mr. TURE. You have to have exactly the right dose?

Mr. SCHULTZE. No, not the exact, right dose. What I am saying is all you have to do is posit the point that the fiscal policy in general has been applied during the periods when it should have been applied, but not quite enough, and you get precisely the results Mr. Ture got.

Point No. 2, with respect to the stock of money, the basic problem is the cause and effect problem, whether the stock of money is rising because other elements in the economy are causing it to rise, or vice versa.

I might point to the last time we had a problem somewhat like this. The only time in the postwar period where it appeared to be necessary to raise taxes was during the Korean period. This is the only tax increase we have had in the postwar period, since 1948, anyway.

It turns out at that period of time you had the situation in which the stock of money was rising at a very slow pace, and you had a big inflation, followed by the fact of an increase in the rate of growth in