the stock of money. Yet, inflation was cut off because you introduced some substantial fiscal policy.

That is the one other time in the postwar period where taxes were actually raised. You can see the impact on the economy, where you can't with the stock of money.

Mr. TURE. Mr. Chairman, may I comment very briefly?

Chairman PROXMIRE. Very interesting colloquy.

Mr. TURE. I will comment by calling your attention to what I think is an extremely interesting and enlightening editorial in this morning's Post.

I think, one, that editorial clearly suggests the absence of the kind of relationship between changes in fiscal magnitudes and changes in GNP which fiscalists assume.

Chairman PROXMIRE. I am so glad you referred to the editorial. We put it in the record earlier.

I see Mr. Schultze wants to comment, also.

Mr. TURE. I would like the opportunity to check your observation of fact, Mr. Schultze, but I think the rate of increase in the money stock during this period was——

Mr. SCHULTZE. I got my source of the money stock from Milton Friedman's book. I dug into the book to see his comment during that period.

Let me give you the numbers, first.

The point is made in the editorial, if I might borrow it for the moment, that—

> The evidence suggests that fiscal policy had little if any effect on prices during the Korean War. What was relevant was monetary policy. In 1950–1951, the stock of money was permitted to expand very rapidly—at an annual rate of nearly 5 percent—and it was only after the growth of the money stock was slowed, at the end of 1951, that the inflation abated.

From June 1950 to June 1951, the stock of money rose by 4.4 percent. Consumer prices rose by 8.8 percent.

During the next year, the stock of money rose by 5.7 percent. Prices, on the other hand, slowed down substantially, to 2.4 percent.

As Professor Friedman himself in the book points out, when he is discussing money, it was the rise in velocity associated with the speculative boom which meant that even the relatively modest increase in the money stock was accompanied by a rapid growth in income.

This is one period when the money supply relationship does not work. This is the other period in the postwar years when you needed a big tax increase, when it did work, and when as a matter of fact the very modest growth in money stock was accompanied by big inflation, precisely because you had a big pouring in of defense orders and a speculative boom.

You did not see it in the deficit. It did not show up in expenditures for some time.

Mr. TURE. The assertion that it did work is not to be found in the facts.

I don't know what it was that impelled me last evening to ask my research associate to draw up a graph showing the quarterly money stock, using the conventional measure of money stock, figures that come out of the Federal Reserve Board, for the years 1947 through 1967.