

The present policies of the Open Market Committee are highly inflationary because they add to the already excessive money supply. For the past ten months inflationary pressures have been mounting due to this policy.

The expenditures of the Federal Government have not added to the inflationary pressures, but to the contrary they have ^{collected more taxes than they have paid out} ~~collected substantially more in taxes than they have paid out~~, so that the effect of the fiscal policy, if anything, has been anti-inflationary. # It is largely the growth of bank credit which has enabled businesses and individuals to get funds through

~~bank credit~~ which ^{have} brought about the present inflationary situation.

This is evidenced by nearly 20 per cent ^{growth} in bank loans from May 31, 1950, to the end of the year. In this same period demand deposits and currency increased to approximately ^{1 1/2} million dollars, or ³ per cent. This growth primarily

in the money supply is ~~mainly~~ due to the Federal Reserve's purchases of government securities in its support of the cheap money policy of the Treasury. # If we are to have a sound economic policy it must rest upon ^a ~~the~~

restrictive monetary policy which will prevent the public from adding to the inflationary pressures through the use of bank credit and a fiscal policy which will prevent inflationary pressures from ^{depreciate} Government spending.

So long as the Federal Reserve stands ready to buy government securities in unlimited amounts in accordance with the cheap money policy of the Treasury, all efforts to control inflation must be doomed to failure.

Our future security demands a major defense preparedness program to develop as rapidly as possible. This program is sure to greatly increase inflationary pressures, which can only be held in check by collecting in taxes what the Government spends and stopping the growth of bank credit by adopting restrictive monetary and credit policies. # To this end I propose that the Federal

Reserve should announce that its policy henceforth shall be to ^{prevent} ~~present~~ further growth in the supply of money and credit so long as the inflationary pressures

continue even though one of the incidental effects of the policy will be to increase the interest rate on government securities.