

The Federal Reserve is in a very difficult position at the present time. If it maintains an easy money policy until a complete recovery is achieved, that is, until our man-power and productive facilities are fully utilized, a price inflation will develop and then a collapse will ensue.

If it adopts a sufficient restrictive policy to stop rising prices, long-term securities will fall, mortgages and long-term capital will be greatly reduced, and credit contraction will set in and recovery will be stopped, employment and the national income will no longer continue to increase, the Federal budget will not balance and a deflation may be brought about.

*not complete*

Also a determination to use all the powers of Government to prevent a restriction of production or further increases in prices brought about either by excessive demands on the part of labor or increasing profits on the part of business. Long-term low rates cannot alone be maintained indefinitely by an easy money policy on the part of the Reserve System without it resulting in an uncontrolled inflation. Other cooperative and compensating action by Government is essential.

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msc