BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D.C. 20551

April 12, 1978

TO: Federal Open Market Committee

FROM: Arthur L. Broida ALB

Attached for your information are copies of (1) a letter from Chairman Miller to Senator Proxmire dated March 24, 1978; (2) Senator Proxmire's reply of April 5, with an attached copy of a letter to Senator Proxmire from Henry Kaufman; and (3) Chairman Miller's acknowledgement of April 11.

This material is being circulated in connection with item 6 on the agenda for next Tuesday's FOMC meeting.

Attachments

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D.C. 20551

G. WILLIAM MILLER
CHAIRMAN

April 11, 1978

The Honorable William Proxmire
Chairman
Committee on Banking, Housing
and Urban Affairs
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Your letter of April 5 continues our communication with respect to how the Federal Reserve and the Federal Open Market Committee make quarterly reports to Congressional committees. I have noted your suggestions and will be pleased to bring them to the attention of the FOMC, as you request.

As we continue to evaluate your preferences in these matters, let me note that my own viewpoint is still evolving as I become more familiar with the actual operations of the FOMC. Perhaps some progress can be made when I appear before your Committee on April 25.

Sincerely,

Bill

United States Senate

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS
WASHINGTON, D.C. 20510

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
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OFFICE OF THE CHAIRMAN

April 5, 1978

The Honorable G. William Miller
Chairman
Board of Governors of the Federal
Reserve System
20th & Constitution Avenue, N.W.
Washington, D.C. 20551

Dear Mr. Chairman:

Thank you for your letter of March 24, 1978 concerning the Federal Reserve's reporting requirements pursuant to Public Law 95-188, the Federal Reserve Reform Act of 1977, and my speech on the Senate floor on March 9, 1978.

I am greatly concerned about the Federal Reserves' reports to Congress and believe that the current quarterly reporting system has lost much of its credibility. The requirements under P.L. 95-188 may improve and expand the dialogue between the Federal Reserve and the Congress, but frankly, while I am hopeful that this will be the case, I have my doubts.

Everyone would benefit if the quarterly Federal Reserve reports to Congress were a more clear and precise explanation of monetary policy's intended purposes during the ensuing policy period. Monetary policy is critically important, I think you would agree, in determining the course of economic activity. To be sure it is not the only element of importance, but its effects are widespread. Many business decisions are based on current and expected credit conditions. More information and more certainty about monetary policy's likely course and affect on the economy would provide a better environment for those decisions. The credibility of such information is also critical, and I think that it is here that the system has had the greatest failure. I said in my floor statement that I do not fault the Federal Reserve for following an easier policy last year -- that is faster money growth -- but I do fault the Federal Reserve for not explaining clearly that money growth would be somewhat higher, why that was the case, and what the implications were for the economy.

Chairman Burns often said that the Federal Reserve's independence was important so that monetary policy's flexibility could be maintained. In my view this flexibility must be matched by a willingness of the Federal Reserve to admit to the Congress that its policies have changed when they have changed, and to explain why the change was needed.

It is also of fundamental importance that monetary policy be related to the economy, and that is why the Federal Reserve's statement to the Congress should include the rate of growth of real GNP, the rate of unemployment, and the rate of inflation that are consistent with the plans and objectives for the monetary and credit aggregates. People can relate to GNP, employment, and prices much more easily than to M-1. Moreover, the monetary and credit aggregates are only intermediate objectives of monetary policy, whereas the ultimate goals are real GNP, employment, and prices. The legislative history of P.L 95-188 is clear on this when it says:

> "In addition to requiring the Board of Governors to consult with the Congress on 'objectives and plans with respect to the ranges of growth or diminution of monetary and credit aggregates in the upcoming 12 months,' as is required in House Concurrent Resolution 133, this bill adds: 'taking into account past and prospective developments with respect to production, employment, and prices.'
>
> To take into account these ultimate goals of economic policy -- jobs and prices -- requires discussion of such matters as fiscal policy, monetary velocity, and interest rates, but the bill does not require the Federal Reserve to make explicit projection with respect to these matters."

Note in particular that the last phrase says that the bill does not require the Federal Reserve to make explicit projections with respect to "these matters", where "these matters" refers quite explicitly to fiscal policy, monetary velocity and interest rates, not the ultimate goals of economic policy: real GNP, employment, and prices.

The intent of Congress in adopting the wording, "taking into account past and prospective developments with respect to production, employment, and prices," was to get quantative information that could be used to assess the impact of monetary policy on the economy. As you know Chairman Burns provided the Committees with his own estimates of these variables, and you have provided the House Banking Committee with your own estimates of them. This is quite proper. However, I see no reason why each voting member of the FOMC, as officials of the United States, should not give their own estimates of these variables, and I invite you to make known to the Federal Open Market Committee members the Senate Banking Committee's desire to receive their estimates of real GNP, employment, and prices for the period 1978:Q1 to 1979:Q1 at the hearing on April 25, 1978 on the same basis as you provide your own estimates. I would be most pleased if you would encourage your colleagues to do this.

Another facet of the reporting procedures that deserves your attention is the requirement that the Board and the Open Market Committee report a credit aggregate target. The requirement for this is explicit in P.L. 95-188, and I noted this in my floor speech. The "bank credit proxy" was provided during the first hearing pursuant to H. Con. Res. 133 but it was not very useful, and when dropped from the quarterly reports no objections were raised. However, that does not mean that some aggregate measure of credit demands and/or availability is neither desirable nor required by P.L. 95-188.

I am enclosing a copy of a letter I recently received from Henry Kaufman of Salomon Brothers. It discusses the possibility of having the FOMC use an aggregate "debt proxy" as an additional guide to policy. This suggestions deserves serious consideration by you, by the Board, and by the FOMC.

I would like to know your views on the usefulness of a credit aggregate composed of the aggregate non-financial sector's holding of -- and future demands for -- credit market instruments which would be a component of the "debt proxy" suggested by Dr. Kaufman.

Sincerely,

William Proxmire
Chairman

Enclosure

WP:srl

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 24, 1978

The Honorable William Proxmire
Chairman
Committee on Banking, Housing
and Urban Affairs
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

During our recent meeting, we discussed briefly the new reporting requirements established by P.L. 95-188. I indicated that I was reviewing this matter looking towards a better understanding of the interest expressed by you and Chairman Reuss in having the Federal Reserve report on the rate of growth of real GNP, of the rate of unemployment and of inflation compatible with the target ranges for the monetary and credit aggregates.

Against this background, and looking towards my upcoming testimony before your Committee on April 25, I would like to comment briefly on your speech on the Senate floor on March 9 concerning my testimony before the House Banking Committee of the same day. In this speech, you interpreted Chairman Reuss' opening statement as calling "into question the Federal Reserve's compliance with the Federal Reserve Reform Act of 1977." You note correctly "that act requires the Fed to take into account past and prospective developments with respect to production, employment and prices when it reports its plans and objectives for the growth of monetary and credit aggregates" and then go on to state "this means that the Federal Reserve is formally required to submit a statement of the rate of growth of real gross national product, of the rate of unemployment, and of the inflation rate that is compatible with their target ranges for the monetary and credit aggregates . . . ."

As required by P.L. 95-188, my formal statement on behalf of the Federal Reserve before the House Committee on Banking, Finance and Urban Affairs did take into account past and prospective developments with respect to production, employment and prices. Following an analysis of past and prospective developments in various economic sectors, my statement went on to note that ". . . it is the Federal

Reserve's judgment that trends in the national economy favor continued expansion at a moderate rate in economic activity and a further reduction in the rate of unemployment over the course of 1978. There is, however, less reason to be sanguine about progress in curbing the rate of inflation." These conclusions with regard to production, employment, and prices are qualitative, not quantitative, but they clearly indicate the Federal Reserve's expectations. The law does not require quantitative estimates as the legislative history makes clear. I have enclosed a brief summary of the legislative history of the law which has been prepared by my staff.

In the course of my testimony before the House Banking Committee, the matter of our reporting requirements was discussed. Chairman Reuss found it perfectly agreeable for me to give the Committee my personal analysis and summary of specific quantitative measures of the performance of the economy. Chairman Reuss noted that Chairman Burns had provided the Committee with his personal views and observed "we would be very happy to have yours on such matters rather than in more collegial form."

Now, as I indicated to you earlier this week, I may at some point wish to modify this procedure of reporting only personal views, but it should be emphasized that my testimony before the House Banking Committee did comply with the Federal Reserve Reform Act of 1977 and that there is nothing in the Act or the legislative history requiring the Federal Reserve to submit quantitative estimates with respect to production, employment and prices.

Given the nature of the subject, you may feel it desirable to share this letter with the other members of your Committee.

Sincerely,

(Signed) G. William Miller

Enclosure

Legislative History
Federal Reserve Reform Act of 1977

The Federal Reserve Reform Act as originally proposed by Chairman Reuss and on which the Board was asked to testify on July 26, 1977 called upon representatives of the Federal Reserve to "testify concerning the Board of Governors and FOMC's proposed monetary policy for the next twelve months, including proposed monetary aggregates, anticipated monetary velocity, estimated levels of interest rates (particularly on business loans and on long-term housing mortgages), and the proposed composition of the Federal Reserve's portfolio."

Following hearings and prior to the markup of the legislation by the House Banking Committee, Chairman Reuss proposed new wording which called upon the Board of Governors to consult with Congress "about the Board of Governors and FOMC's plans with respect to the ranges of growth or diminution of monetary and credit aggregates, and the objectives with respect to production, employment prices, and long-term interest rates, in the upcoming twelve months...."

When the Committee met to markup the bill on July 27, they adopted by a 35-4 vote an amendment to this newly proposed wording of Chairman Reuss. This wording is the now familiar wording which calls on the Board of Governors to consult with the Congress "with respect to the ranges of growth or diminution of monetary and credit aggregates for the upcoming twelve months, taking into account past and prospective developments in production, employment and prices."

The Committee thus by an overwhelming vote moved from language requiring the Board to consult with the Congress with respect to its "objectives with respect to production, employment, prices and long-term interest rates, in the upcoming twelve months...." to language requiring the Board to "take into account past and prospective developments in production, employment and prices."

When the bill (H.R. 8094) was discussed on the House floor on September 12 both Chairman Reuss and ranking minority member Stanton indicated what this "taking into account" language meant. Chairman Reuss stated inter alia "This will require discussion though not explicit projections, of such matters as fiscal policy, monetary velocity, and interest rates." Congressman Stanton stated inter alia "I must emphasize that something different was proposed in H.R. 8094 as introduced. In the original language, the FED was also called upon to predict interest rates and velocity. Both the Board of Governors and the Treasury made it clear to the Committee that such predictions were very difficult to make with any reliability and that, more importantly, any predictions would have a dangerously destabilizing effect on financial markets...." The Committee, therefore, very wisely decided to delete the language of Section 1 as introduced and substitute provisions that seek solely to continue what already is being done. This Committee has explicitly rejected any notion of requiring the FED to predict or set targets for interest rates or velocity...."

Before the Senate could act upon H.R. 8094, the House Banking Committee acted to incorporate it into the Regulation Q extension bill (H.R. 9710) in exactly the same form as it had passed the House on September 12, 1977. In their report on this bill, the meaning of "taking into account" was again commented upon.

The report stated inter alia:

> "In addition to requiring the Board of Governors to consult with the Committee on "objectives and plans with respect to the ranges of growth or dimunition of monetary and credit aggregates in the upcoming 12 months", as required in House Concurrent Resolution 133, this title adds: "taking into account past and prospective developments with respect to production, employment and prices. To take into account these ultimate goals of economic policy--jobs and prices--requires discussion of such matters as fiscal policy, monetary velocity and interest rates, but the bill does not equire the Federal Reserve to make explicit projections with respect to these matters."

The Regulation Q extension bill which contained the Federal Reserve Reform Act title was considered on the House floor on October 31, 1977. Congressman Reuss stated that this title "is the exact same language as that of H.R. 8094 as amended, which was reported out of the Committee on Banking, Finance and Urban Affairs by a vote of 40-0 in August last year." When the bill was considered on the Senate floor, the issues contained in the Federal Reserve Reform Act other than that of the co-terminous term of the Chairman were not debated.

Members of the New York Stock Exchange Inc

One New York Plaza
New York, N.Y. 10004 212 747-7000

Salomon Brothers

Henry Kaufman

March 22, 1978

The Honorable William Proxmire
Chairman
Committee on Banking, Housing and
Urban Affairs
United States Senate
Washington, D.C. 20510

Dear Bill:

First, I want to tell you how much I appreciate your mentioning my testimony in your supplementary views to the Congressional Joint Economic Report. Secondly, I now want to respond in some detail concerning your questions on my recent House Budget testimony, in which I suggested that the Federal Reserve also monitor the expansion of total debt in the United States. As you may recall, I suggested that an appropriate monitor for this purpose would be the "debt proxy."

The debt proxy would be equal to the private domestic non-financial sector's holdings of credit market instruments and deposits. Therefore, it would consist of the following dimensions:

A. the Credit Market Instruments include:
   1. Government securities -- Treasuries, agencies
   2. Municipal securities
   3. Corporate and Foreign Bonds
   4. Mortgages
   5. Commercial Paper
   6. Consumer Credit

B. the Deposit category includes:
   1. Demand Deposits plus currency
   2. Time deposits at commercial banks plus certificates of deposit
   3. Deposits at thrift institutions

C. the Sectors are:
   1. Households
   2. All business categories
   3. State and local governments

The relationship between the debt proxy and nominal gross national product is remarkably close, as you can see from the chart which I included in my testimony (another copy is enclosed). In other words, the debt proxy appears to move contemporaneously with the nominal gross national product and does not seem to be affected by cyclical swings in economic activity, periods of prolonged inflation or widely fluctuating interest rates. I am enclosing in separate tables the underlying statistics for both the gross national product and the debt proxy. I am also enclosing another table which shows quarterly changes in gross national product and the debt proxy. This table and the included regression results point up the very close correlations between these two variables.

The data for the debt proxy comes from the Federal Reserve's Flow of Funds statistics. They are available with a lag of about five to six weeks following the end of a calendar quarter. To be sure, the credit information contained in the Flow of Funds statistics very often is preliminary and therefore is revised later on. While this criticism about Flow of Funds statistics has some merit, it should nevertheless also be noted that the users of GNP statistics also work under the constraint of substantial revisions.

I believe that centering the focus of monetary attention on the money supply is inadequate. Our financial system is highly innovative and the debt creation process is not adequately monitored or at times adequately appraised through this narrow focus in monetary policy. The enclosed chart clearly shows that the narrowly defined money supply has drifted substantially apart from nominal gross national product. Moreover, the lead and lag relationships between monetary policy and the money supply on the one hand and the money supply and the economy on the other are not consistent over time.

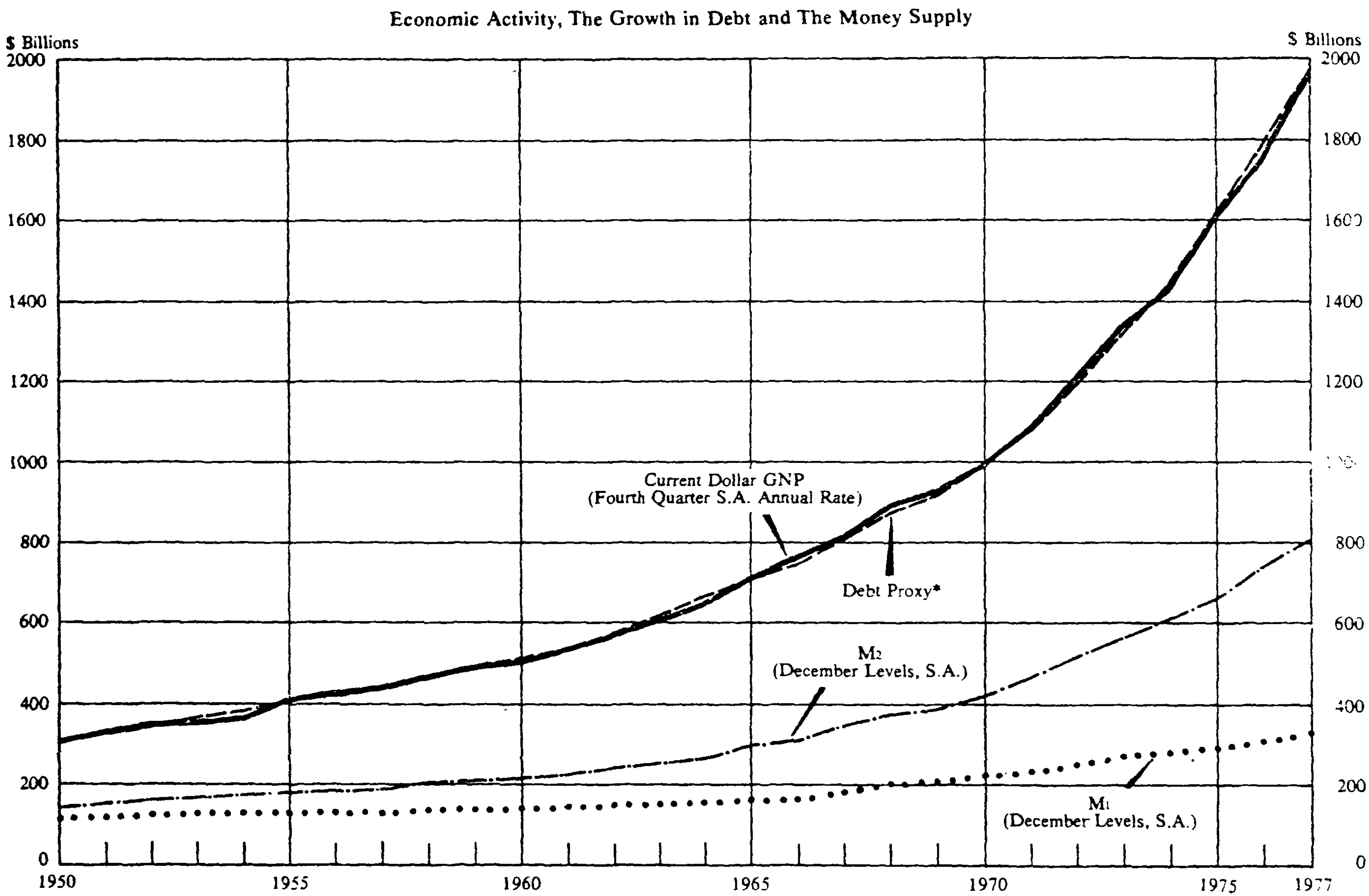
In addition to improving the monetary performance, a monetary policy approach that would monitor and assess the growth of total debt would gain broader acceptance among our people than the current procedure in which the language of monetary policy is quite difficult to disseminate or to explain to the public in general.

I hope this information is of some value to you. Please let me know if you have any additional questions.

Sincerely,

HK:HK
Enclosures

Chart IV



*Currency, Demand and Time Deposits and Credit Market Instruments Outstanding Held Outside of Banks and Other Financial Institutions.

GNP and Debt Proxy
(billions of $)

	GNP	DTPROXY	DIFF
1952:2	341.3	334.174	7.1
1952:3	347.0	338.221	8.3
1952:4	359.2	342.976	16.2
1953:1	365.4	348.308	17.1
1953:2	368.8	353.465	15.3
1953:3	367.8	357.536	10.3
1953:4	362.6	360.307	2.3
1954:1	362.0	363.223	-1.2
1954:2	361.8	365.398	-3.6
1954:3	366.2	370.730	-4.5
1954:4	375.0	375.048	0.0
1955:1	387.5	381.727	5.8
1955:2	395.4	388.190	7.2
1955:3	404.0	393.998	10.0
1955:4	410.2	400.305	9.9
1956:1	411.9	404.121	7.8
1956:2	417.4	408.652	8.7
1956:3	422.4	411.793	10.6
1956:4	430.9	415.001	15.9
1957:1	438.9	420.445	18.5
1957:2	441.0	425.235	15.8
1957:3	448.2	429.328	18.9
1957:4	442.8	431.656	11.1
1958:1	435.8	436.894	-1.1
1958:2	439.9	440.256	-0.4
1958:3	453.1	445.577	7.5
1958:4	466.3	454.901	11.4
1959:1	476.0	463.769	12.2
1959:2	489.9	472.724	17.2
1959:3	486.5	481.729	4.8
1959:4	493.5	487.139	6.4
1960:1	506.6	494.140	12.5
1960:2	506.5	497.609	8.9
1960:3	506.2	503.135	3.1
1960:4	504.6	506.120	-1.5
1961:1	507.1	510.261	-3.2
1961:2	518.2	518.385	-0.2
1961:3	527.2	526.090	1.1
1961:4	540.7	534.434	6.3
1962:1	553.0	543.432	9.6
1962:2	562.1	551.931	10.2
1962:3	567.8	560.108	7.7
1962:4	572.3	569.834	2.5
1963:1	580.2	579.399	0.8
1963:2	587.9	591.164	-3.3
1963:3	600.5	600.807	-0.3
1963:4	610.4	614.071	-3.7
1964:1	622.4	623.809	-1.4
1964:2	632.4	635.460	-3.1
1964:3	642.1	648.131	-6.0
1964:4	646.0	658.439	-12.4
1965:1	665.4	668.140	-2.7
1965:2	678.7	680.816	-2.1
1965:3	695.1	694.441	0.7
1965:4	713.3	708.253	5.0
1966:1	733.7	721.741	12.0
1966:2	747.6	734.293	13.3
1966:3	759.0	742.036	17.0
1966:4	771.7	750.760	20.9
1967:1	777.5	762.406	15.1
1967:2	785.8	774.919	10.9
1967:3	803.1	791.517	11.6
1967:4	818.7	807.454	11.2
1968:1	837.3	823.600	13.7
1968:2	861.8	842.174	19.6

1968:3	880.0	857.505	22.5
1968:4	894.7	876.542	18.2
1969:1	913.0	891.701	21.3
1969:2	929.0	904.004	25.0
1969:3	946.9	912.895	34.0
1969:4	953.3	926.671	26.6
1970:1	964.2	941.943	22.3
1970:2	976.5	956.067	20.4
1970:3	992.6	973.656	18.9
1970:4	996.3	990.736	5.6
1971:1	1,034.0	1,013.642	20.4
1971:2	1,056.2	1,039.000	17.2
1971:3	1,072.4	1,064.188	8.2
1971:4	1,091.2	1,083.898	7.3
1972:1	1,127.0	1,116.909	10.1
1972:2	1,156.7	1,147.196	9.5
1972:3	1,181.4	1,172.120	9.3
1972:4	1,219.4	1,213.171	6.2
1973:1	1,265.3	1,248.545	16.8
1973:2	1,288.4	1,283.134	5.3
1973:3	1,317.5	1,318.663	-1.2
1973:4	1,355.1	1,349.214	5.9
1974:1	1,369.0	1,383.341	-14.3
1974:2	1,400.1	1,417.321	-17.2
1974:3	1,430.1	1,447.159	-17.1
1974:4	1,452.4	1,470.761	-18.4
1975:1	1,453.0	1,494.550	-41.5
1975:2	1,496.6	1,534.037	-37.4
1975:3	1,564.9	1,571.556	-6.7
1975:4	1,600.7	1,613.146	-12.4
1976:1	1,651.2	1,655.386	-4.2
1976:2	1,691.9	1,693.043	-1.1
1976:3	1,727.3	1,739.705	-12.4
1976:4	1,755.4	1,787.083	-31.7
1977:1	1,810.8	1,837.169	-26.4
1977:2	1,869.9	1,876.476	-6.6
1977:3	1,915.9	1,934.843	-18.9
1977:4	1,961.8	1,993.581	-31.8

SET FREQ Q, INT 53:1 TO 77:4

LS GNP, DTPROXY

ORDINARY LEAST SQUARES

QUARTERLY(1953:1 TO 1977:4) 100 OBSERVATIONS
DEPENDENT VARIABLE: GNP

	COEFFICIENT	STD. ERROR	T-STAT	INDEPENDENT VARIABLE
	17.4650	2.520	6.931	CONSTANT
1)	0.984243	0.002679	367.4	DTPROXY

R-BAR SQUARED: 0.9993
DURBIN-WATSON STATISTIC: 0.4029
STANDARD ERROR OF THE REGRESSION: 11.86 NORMALIZED: 0.01422

?CHGNP=GNP-GNP\1

?CHDTPROXY=DTPROXY-DTPROXY\1

?DIFFCH=CHGNP-CHDTPROXY

?PRINT(DOWN)CHGNP, CHDTPROXY, DIFFCH

Changes in GNP and Debt Proxy
(billions of $)

	CHGNP	CHDTPROXY	DIFFCH
1953:1	6.2	5.332	0.9
1953:2	3.4	5.157	-1.8
1953:3	-1.0	4.071	-5.1
1953:4	-5.2	2.771	-8.0
1954:1	-0.6	2.916	-3.5
1954:2	-0.2	2.175	-2.4
1954:3	4.4	5.332	-0.9
1954:4	8.8	4.318	4.5
1955:1	12.5	6.679	5.8
1955:2	7.9	6.463	1.4
1955:3	8.6	5.808	2.8
1955:4	6.2	6.307	-0.1
1956:1	1.7	3.816	-2.1
1956:2	5.5	4.531	1.0
1956:3	5.0	3.141	1.9
1956:4	8.5	3.208	5.3
1957:1	8.0	5.444	2.6
1957:2	2.1	4.790	-2.7
1957:3	7.2	4.093	3.1
1957:4	-5.4	2.328	-7.7
1958:1	-7.0	5.238	-12.2
1958:2	4.1	3.362	0.7
1958:3	13.2	5.321	7.9
1958:4	13.2	9.324	3.9
1959:1	9.7	8.868	0.8
1959:2	13.9	8.955	4.9
1959:3	-3.4	9.005	-12.4
1959:4	7.0	5.410	1.6
1960:1	13.1	7.001	6.1
1960:2	-0.1	3.469	-3.6
1960:3	-0.3	5.526	-5.8
1960:4	-1.6	2.985	-4.6
1961:1	2.5	4.141	-1.6
1961:2	11.1	8.124	3.0
1961:3	9.0	7.705	1.3
1961:4	13.5	8.344	5.2
1962:1	12.3	8.998	3.3
1962:2	9.1	8.499	0.6
1962:3	5.7	8.177	-2.5
1962:4	4.5	9.726	-5.2
1963:1	7.9	9.565	-1.7
1963:2	7.7	11.765	-4.1
1963:3	12.6	9.643	3.0
1963:4	9.9	13.264	-3.4
1964:1	12.0	9.738	2.3
1964:2	10.0	11.651	-1.7
1964:3	9.7	12.671	-3.0
1964:4	3.9	10.308	-6.4
1965:1	19.4	9.701	9.7
1965:2	13.3	12.676	0.6
1965:3	16.4	13.625	2.8
1965:4	18.2	13.812	4.4
1966:1	20.4	13.488	6.9
1966:2	13.9	12.552	1.3
1966:3	11.4	7.743	3.7
1966:4	12.7	8.724	4.0
1967:1	5.8	11.646	-5.8
1967:2	8.3	12.513	-4.2
1967:3	17.3	16.598	0.7
1967:4	15.6	15.937	-0.3
1968:1	18.6	16.146	2.5
1968:2	24.5	18.574	5.9
1968:3	18.2	15.331	2.9
1968:4	14.7	19.037	-4.3

1969:1	18.3	15.159	3.1
1969:2	16.0	12.303	3.7
1969:3	17.9	8.891	9.0
1969:4	6.4	13.776	-7.4
1970:1	10.9	15.272	-4.4
1970:2	12.3	14.124	-1.8
1970:3	16.1	17.589	-1.5
1970:4	3.7	17.080	-13.4
1971:1	37.7	22.906	14.8
1971:2	22.2	25.358	-3.2
1971:3	16.2	25.188	-9.0
1971:4	18.8	19.710	-0.9
1972:1	35.8	33.011	2.8
1972:2	29.7	30.287	-0.6
1972:3	24.7	24.924	-0.2
1972:4	38.0	41.051	-3.1
1973:1	45.9	35.374	10.5
1973:2	23.1	34.589	-11.5
1973:3	29.1	35.529	-6.4
1973:4	37.6	30.551	7.0
1974:1	13.9	34.127	-20.2
1974:2	31.1	33.980	-2.9
1974:3	30.0	29.838	0.2
1974:4	22.3	23.602	-1.3
1975:1	0.6	23.789	-23.2
1975:2	43.6	39.487	4.1
1975:3	68.3	37.519	30.8
1975:4	35.8	41.590	-5.8
1976:1	50.5	42.240	8.3
1976:2	40.7	37.657	3.0
1976:3	35.4	46.662	-11.3
1976:4	28.1	47.378	-19.3
1977:1	55.4	50.086	5.3
1977:2	59.1	39.307	19.8
1977:3	46.0	58.367	-12.4
1977:4	45.9	58.738	-12.8

```
?LS GNP, DEL
LS CHGNP, CHDTPROXY
```

ORDINARY LEAST SQUARES

QUARTERLY(1953:1 TO 1977:4) 100 OBSERVATIONS
DEPENDENT VARIABLE: CHGNP

	COEFFICIENT	STD. ERROR	T-STAT	INDEPENDENT VARIABLE
	0.449572	1.176	0.3824	CONSTANT
1)	0.943680	0.05481	17.22	CHDTPROXY

R-BAR SQUARED: 0.7490
DURBIN-WATSON STATISTIC. 2.0400
STANDARD ERROR OF THE REGRESSION: 7.507 NORMALIZED: 0.4684