long-term interest rates is absolutely and unequivocally, in my judgment, the wrong policy for the Federal Reserve to be following at the moment.

Chairman PATMAN. Mr. Martin did say that he would give this tax cut what you might call a Russian veto. He is going to stop it. He said that in testimony before our Committee on Banking and Currency on July 17, 1962. I will place in the record the exact statement that he made in reply to a question that I asked him, and in reply to a question Mr. Reuss asked him.

(Testimony referred to follows:)

EXCERPTS FROM TESTIMONY OF MR. WILLIAM McCHESNEY MARTIN, JR., CHAIRMAN OF THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

(Hearings of the Committee on Banking and Currency, House of Representatives, July 17, 1962)

Mr. PATMAN. What is your view of the other part of the recommendation to get the economy going that we ought to stimulate the economy with a large Federal deficit?

Mr. MARTIN. That gets into the field of fiscal policy that I don't believe is my province or prerogative to deal with.

I will return to the simple statement I made earlier. In the event a decision is made which widens or further deepens the deficit we are already running, I want to put the Federal Reserve specifically on record this morning, if I haven't done it already, that I think that we must not finance a deficit by bank-created funds, that how the deficit is financed is of vital importance and that it should be financed out of bona fide savings and not by writing up assets on one side or the other of the bank ledger (pp. 90, 91).

Mr. REUSS. * * * Now, you made a statement a moment ago which I think is quite historic. You said—and I want to be sure that I heard you right—that if the administration and the Congress go ahead and cut taxes by $7½ billion as advocated by the U.S. Chamber of Commerce or by $10 billion as advocated by Walter Reuther or whatever—you said that nobody should rely on the Fed for financing any of that deficit and that all of the deficit would have to be financed from so-called real savings.

Did I hear you right?

Mr. MARTIN. I think you heard me substantially correctly, but I didn't say "all" of it. I don't think you can completely measure this operation, but I am sure that the role of the central bank is to see that the debt is financed when deficits develop in a way which will bring into play the savings of people and not just create money out of thin air, which is what is done when the banking system does it by writing up assets on one side and liabilities in the other" (pp. 106, 107).

* * * I think that easy money has done about all it can do at the present time for the employment and growth of the economy * * *" (p. 108).

Representative CURTIS. Did he use the words "Russian veto"?

Chairman PATMAN. No; I did that. I used the term "Russian veto."

Mr. RUTTENBERG. Whether it is Russian or not, it is a veto.

Chairman PATMAN. It is a Russian veto. That is what I called it. Mr. Martin didn't call it that. Mr. Ruttenberg, you served on that Commission on Money and Credit. Weren't you really shocked to find out how little power the Congress of the United States has left the Executive to use in carrying out his duties insofar as it applies to monetary affairs?

Mr. RUTTENBERG. As far as the Executive is concerned, he is left with relatively little authority at all in the monetary field because the Congress has delegated this authority to the Federal Reserve.

Chairman PATMAN. That is right. Dr. Weston testified the other day, sitting right there where you are, and he told us, a committee of Congress, that he was not going to talk about monetary affairs because