supporting the argument that monetary restriction leads to less spending. All recoveries were preceded by monetary expansion thereby supporting the argument monetary expansion leads to higher spending.

He said it is worth noting that the consistent relation between monetary exchange and spending exchange is not unique in the United States. He shows in 1929, 1931, and 1937, the larger monetary contractions coincided with the largest economic declines.

He is not talking in generalities or terms of opinion, he is talking in terms of a very careful study of what is happening to our economy. Why does it make sense for us to follow a policy of monetary restriction which is likely to lead to higher interest rates under present circumstances when you feel we may be heading toward a recession and the economy is not growing as rapidly as it should.

Mr. ECCLES. I am not proposing a monetary restriction and I don't entirely agree with the witness that you refer to.

We have had situations in the past during the 1930's when excessively easy credit did not——

Senator PROXMIRE. I was here when you said that. Incidentally, the position taken by Mr. Sprinkel dealt with that situation. He said it was preceded by terrific monetary contraction in the late twenties.

Then at that time it is true we were not able to push our economy out of the depression by monetary ease. At the same time we were not able to do it with deficits. We had enormous deficits that would be equivalent to $20 billion for 10 years and we still had 14 percent of our force out of work.

Mr. ECCLES. We waited too long. We had a deficit in 1932 in Mr. Hoover's last year; we had a deficit of $2 billion with a budget of around $4 billion. But the national product had gone down from $80 billion to $40 billion, so it took the war with the kind of deficit that we got then to put the economy back into production and employment.

Senator PROXMIRE. I think I understand what is troubling you. I think the experience of the thirties can be very useful to us. But the fact is this is not the thirties. These are the sixties.

The economic situation is far different and the opportunities that the Government has to prevent a real depression are so overwhelmingly stronger than at that time, the comparison is not very good.

I also wonder if you would feel that we can avoid any recession at any time in the future. It seems to me those who advocate a quickie tax cut now, when we have all kinds of records being broken for GNP, incomes, and so on and the economy is still expanding, are arguing that we should never have a recession.

Any time we have a recession coming up, cut taxes regardless of the deficit situation.

Mr. ECCLES. I don't think we should have recessions. I would certainly never permit one to go into a depression. I would be very much opposed to that.

Senator PROXMIRE. You say never a recession.

Mr. ECCLES. I should like to avoid it. We may get a change in the tempo of growth. I don't think you can always keep exactly the same tempo of growth in the economy. I certainly feel that we should make the effort to maintain adequate growth and to avoid unemployment.