

definition of money supply, and therefore it is a concept which is very slippery.

We try to talk about these other statistics. I constantly get the feeling from you that we can't do this in terms of specifics or definite data or any kind of documentation. It has to be done in terms of generalities.

On those grounds, it is extremely hard to arrive at any agreement because we can't agree on definitions. And frankly, Mr. Martin, without specific goals, criteria guidelines, it is impossible to exercise any congressional oversight over you, and I think you know it.

Mr. MARTIN. Let me just comment that I sympathize with you completely on that. You can see my problem as Chairman of the Federal Reserve Board or the Open Market Committee in getting these 12, or 19 men as Mr. Patman likes to make it, together on this. It would be nice if this area of activity could be put in more precise terms. For a long time I have studied the money supply as hard as I can—and I don't profess to be the brightest individual—and I have come to be less and less confident of my convictions of what the right money supply level is.

Senator PROXMIRE. But you would agree that we have not reached the right level of unemployment. It is too high. We should do what we can to reduce it.

Mr. MARTIN. I certainly agree with that. I think one of the reasons we have had as much unemployment as we have had, and you may think this is silly, is because we have had too easy money. I think that you have periods where you can retard the flow of funds, particularly when you are creating money out of a vacuum, which is what printing press money is, in order to help the Government finance a deficit.

That is why I was talking the other day about loose spending and easy money frequently going together. You have to try to pull this thing together into a unit.

Senator PROXMIRE. Let us take a very definite likelihood. The President has indicated he is going to ask for a tax reduction next year. This may be, let us say, on the order of \$10 billion. This is supposed to stimulate the economy substantially. Some talk about a multiplier of \$2 or \$20 billion increase in GNP. You have indicated that you think we should sell bonds to the public to the full extent of the tax cut rather than to the banking system. I understand you to have said that.

Mr. MARTIN. That is correct.

Senator PROXMIRE. If we do this, testimony on the part of many competent economists who have come before us is that much, and some say all, of the steam of that tax cut would be taken out. We would lose it. It would not have any very substantial effect in stimulating the economy. There are times, as Mr. Lolli, of Italy, pointed out, when this is desirable. Where you have an enormous deficit equivalent to the \$35 billion deficit they had in Italy, like the huge deficits in wartime, where we had the manpower and factory capacity utilized fully. We don't have that now.

If the President's tax cut is negated by the Federal Reserve Board, it seems to me that our economic policy is just going in opposite directions. You are exercising restraint, and the President of the