On a number of occasions, people have said to me, "Yes, Mr. ] we admit we have an unsound budgetary policy. Yes, we admit are not handling our fiscal and debt-management policies as we Yes, we admit that the wage-cost spiral has not been handled as it might.

"Now don't you, Mr. Martin, come along and give us a sound monetary policy and make it more difficult for these other unsound to work."

This actually happened on many occasions. I don't think we ought to exaggerate the importance of monetary policy nor ought we to underestimate its importance.

Senator PROXMIRE. Yes, sir; Mr. Eccles, your predecessor as Chairman of the Federal Reserve Board, told us exactly the opposite in terms of potency of monetary policy. He said this is number one. He says this is the most powerful weapon our Government has.

He was emphatic about it. He felt particularly that it is very important that these economic weapons we do have be used in concert by the President or the Congress. These were his words, a President can be elected and have his hands tied so he has no freedom at all in connection with the problems of monetary and credit policy.

So Mr. Eccles would seem to take a different view.

Mr. MARTIN. I don't think——

Senator PROXMIRE. Or would you say these were pretty much equally potent?

Mr. MARTIN. No, I would not say they are equally potent. I think Mr. Eccles might attach more importance to monetary policy than I would or vice versa. That is a matter of judgment.

I always welcome an opportunity to say that these things ought to work in concert. That is our objective.

Senator PROXMIRE. They are not working in concert if the President of the United States feels he has to reduce taxes at a time when we already have a deficit and feels he has to do that in order to get the economy moving and the monetary managers announce if that is done they will follow the policy which every economist that testified before us says will slow down expansion.

Mr. MARTIN. I don't agree with your analysis.

Senator PROXMIRE. Can you tell us that this is working in concert if you follow a policy——

Mr. MARTIN. I have already explained that it is not a dollar-for-dollar operation. I think it is regrettable that we have to be running a deficit.

Senator PROXMIRE. I think it is, too. I would agree with Senator Douglas who argued that one of the reasons why so many people are calling for a tax cut which he disapproved, and so do I, is because we followed a policy of monetary tightness and monetary restriction.

I wrote the chairman asking for these hearings. I was the first one to write and request them for this very reason. I think it is this monetary tightness that puts us in a position where the President and Members of Congress feel we have to have a tax cut.

If we did not have that, then the tax cut would not be necessary.

Mr. MARTIN. It is my conviction, Senator—I have said this several times in colloquies up here—that generally speaking we follow a too