on administered prices and see that steel and other industries do not unilaterally raise prices.

Mr. MARTIN. You don't think the profit squeeze had anything to do with it?

Senator PROXMIRE. The fact is that profits are up much more in the last year, proportionately more than wages or other indicators, and cash earnings are particularly up because of the adjustment in depreciation and so forth.

Mr. MARTIN. You see, the lack of demand for credit in part has been due to retained earnings and depreciation and lack of programs which would cause more expansion. We have had a very good demand, relatively speaking, at the consumer level. Our problem has been in the investment level.

Senator PROXMIRE. Here we had Dr. Langum, who did a superb job before this committee showing that there has been a very definite and regular decline of relationship of plant and investment to cash earnings. It is the lowest he had on his chart. He could not get any lower. It dropped from 80 percent to 61 percent.

They had ample depreciation reserves and cash earnings, but in relation to their capacity to invest in plant and equipment they are not doing it. That is why I think the investment credit is very, very hard to justify. This did not include the latest action by the administration in providing a billion and a half additional depreciation.

I can't buy the argument that we need greater capacity on the part of business to invest in plant and equipment by making cash earnings more readily available.

Mr. MARTIN. For productivity reasons. We have to compete in the world. I suspect that American productivity has tended to slip in the last several years.

Senator PROXMIRE. Once again, the statistics indicate during the past 3 or 4 years at least that labor costs have been very stable in this country. Our productivity has been quite good. It has increased quite a bit. It always does after a recession. Our strongly favorable balance of trade indicates we are doing very well.

Mr. MARTIN. I think this is all relative, and one of the things that has helped us—as we point out here, and have repeatedly—is that costs have been going up abroad.

Senator PROXMIRE. What concerns me, Mr. Chairman, very much, is this idea: We had a very distinguished economist from the University of California, Dr. Weston, who was here, and he asked for a tax cut. He said we have to get this economy moving. I asked him, "Why didn't you say anything about monetary policy?" He said, "You fellows have nothing to do with monetary policy."

I pointed out the Constitution gives us explicit responsibility for monetary policy. He said, "Yes; but you don't use it."

This is a very widely held conviction. I am afraid it is roughly true. Most of the economists who came before us took the same attitude. If Congress has no power over monetary policy and the President has virtually no power, according to Mr. Eccles and others, it seems to me the elected officials of our Government, those who are responsible to the people for the economy, are paralyzed when it comes to getting a concerted economic policy, including monetary policy.