Mr. MARTIN. Senator, I think if Mr. Weston had my job for a while he would change his views very quickly. I think you realize that you can change the Federal Reserve Act in no time at all.

Senator PROXMIRE. That is what Mr. Bryan said yesterday: We could abolish and re-create.

Mr. MARTIN. You can. It is entirely your power.

Senator PROXMIRE. I am afraid that those of us who may toy with that idea don't have a great deal of support for it. At any rate, the difficulty is that the tax must be far bigger to the extent that monetary policy doesn't go the same way as fiscal policy.

Government spending must be far higher, and the deficit much bigger, in order to achieve the same degree of economic expansion. Wherever we have substantive unemployment and idle plant capacity, it seems the argument for monetary ease and monetary supply increasing at a reasonably substantial rate are very, very strong. But you disagree with us and because we let you operate without guidelines or goals or criteria we never get on the same wavelength and you do what ever you wish.

Mr. MARTIN. You made a very good point the other day when you said, looking at this picture, that you think we might increase taxes and ease money. Here we are in a sorry, inconsistent position. We are talking about reducing taxes and tightening money.

Senator PROXMIRE. We are facing a deficit. If we follow the usual procedure that we have normally followed in this country of trying to match our revenue with our expenditures, then the logical thing to do would be to ease up on monetary policy and balance our budget.

Mr. MARTIN. If we could work things out to get a normal flow of money so that you would have relatively stable interest rates, that would be the ideal thing to do. You would get the most stability if you had a balanced budget in that period.

It is this problem of getting to equilibrium after you have got into a position of disequilibrium. That is all we are trying to do. Interest rates have to be one of the adjusting factors on this flywheel. That is really all we are trying to do, but it is not easy when you start out from disequilibrium.

Let me comment on this, because I think it is important. I think budget deficits, like easy money, reach a point where they don't have the same impact on the economy as they did at other periods. They get to be like a drug. The economy gets inured to them. I think we are now expecting to get more out of budget deficits and easy money than I believe will be achieved by it.

That is the point. I am trying to analyze it only as a problem that involves the factor of confidence and the willingness of people to save and invest money, which is what makes an economy hum.

Senator PROXMIRE. It is a matter of who takes the initiative. I feel if we could have easier money we would not have the pressure for fiscal policies that result in a bigger deficit. If we had fiscal policies that permitted a balanced budget, then perhaps we could have easy money; not easy money, but an easier monetary situation.

Mr. MARTIN. We have had easier money than in the expansion period of the last economic cycle. In the early part of 1960, we began to shift toward ease. By the end of the year we reduced our discount rate twice and we had consistently supplied reserves to the market