money—which is the simple way of putting it—it can do nothing but cause a rise in prices.

Representative BOLLING. I might say I am entirely in agreement with that. My observation after a number of years on the committee is that the failure in coordination, if there be a failure in coordination, between monetary and fiscal policy, grows almost entirely out of the unwillingness of the Congress to accept the other half of Keynesism—that is, in times of prosperity and pressures on the economy, one must use a compensating fiscal policy. This is why for a number of years I have favored giving to the President, within very specific limitations, in effect the power to raise and lower taxes promptly, because only thus do I see the kind of flexibility in the fiscal end that could really effectively and quickly coordinate with the monetary end. I hope that I will live long enough and that we both will stay here long enough so that we will see that kind of a situation, where instead of the Fed being a whipping boy for all those who are unwilling to take what is allegedly a politically unpopular position, it will be a partner, an independent partner in a coordinated policy operation.

Thank you, Mr. Chairman.

Chairman PROXMIRE. Senator Miller?

Senator MILLER. Thank you, Mr. Chairman.

Chairman Martin, I wish for the record, to be associated with my colleague, Senator Symington, in his comments regarding you as a person who should be retained.

You stated that the policy on participation certificates last year tended to aggravate the high interest situation, is that correct?

Mr. MARTIN. That is correct, yes.

Senator MILLER. Then it would follow that the proposed sale of several billions of dollars more of participation certificates as set forth in the President's budget would also tend to aggravate the high interest rate problem.

Mr. MARTIN. Well, the conditions in the money market are different now, Senator.

Senator MILLER. I recognize that, but it was an aggravating situation last year, so would it not follow that it would be an aggravating situation this year?

Mr. MARTIN. It will be. Unquestionably, it is an additional item that has to be financed, you see. The Government does have to pay its way.

Senator MILLER. That is right. And would you also say that the Government financing of the budget deficit as set forth in the President's budget would also have an aggravating influence on the high interest rate problem?

Mr. MARTIN. Oh, yes; any additional borrowing adds to interest rate pressures.

Senator MILLER. Now I believe you said in response to a question by Senator Proxmire that we have a decision to make of either reducing expenditures on the one hand or increasing taxes on the other. But isn't there a middle ground, which is being used right now, and that is to not do either of those, or not follow either of those alternatives sufficiently so that we take purchasing power away from the people by inflation.

Mr. MARTIN. That is correct.