the one bank holding company legislation that is before us this year, probably the most important financial institution legislation we will have this year, and in which I feel the Treasury takes a position which will enable banks to get into other businesses, but will keep other businesses from getting into banking. It may be a sound position, but it is the kind of position you would expect from the banking fraternity. I have introduced another bill, as you may know, and of course the chairman has introduced a bill in this area.

So I do hope you are aware of the problem this raises. It has nothing to do with your character or your ability. You are all men of the highest character and ability. And yet there is this problem of your past associations which, it seems to me, are very, very hard to purge yourselves of.

Secretary KENNEDY. I wouldn't try, Senator. I think that we can be objective. We recognize the problem in each of the areas you mentioned. And we should be objective. We have come up with recommendations in each case. Your have our background.

You must bear in mind that each of us, I think, has spent as much time in the public sector as we have in the private sector. And so we do have balanced backgrounds. And I think that each of us, whether it is you or anyone of us here, is made up of our experiences and our training and character and everything else. I believe that the experience we have had in banking and related matters will be helpful rather than harmful in this effort.

Senator PROXMIRE. Now, let me ask a substantive question. You talk about serious inflation as one of the most troublesome legacies that you have. And I agree with you, it is troublesome. And yet you, and also the previous two witnesses we had, the Chairman of the Council of Economic Advisers and the Budget Director, all indicate that they anticipate a bare surplus. They don't anticipate reducing the Johnson budget significantly. In view of the obvious inflationary strain and also in view of the conclusions from this that Mr. McCracken properly drew, we will probably have tight credit and high interest rates all year. Do you also share this notion that it is unlikely that you can have a significant reduction in the 1970 budget?

Secretary KENNEDY. The 1970 budget reflects, as you well know, legislation that is already on the books, programs that the Congress has approved and that are going forward. It requires a careful examination item by item. I don't think that we are in the position yet to determine just what change or reduction can be made in that 1970 budget. In the present one I think it is clear that we can change very little, because the calendar is against us.

Senator PROXMIRE. Frequently in the past the Secretary of the Treasury has been the strong man of the Cabinet. You are a very able and strong personality. I do hope that you will be one of the ones that come down here to decide to keep spending down. I think in our area this committee in the past has recommended vigorously to the administration in a bipartisan way that they cut spending below what they have. And I earnestly hope that you will do that. Because, as you know, the alternative is a tight monetary policy which can devastate housing.

I am very disturbed in this area because Mr. Romney, who should be the champion of housing, and whom we confirmed with enthusiasm in the Senate Banking Committee, has indicated that he thinks the