

Chairman PATMAN. Senator Proxmire desires to make a statement. He is recognized for that purpose.

Senator PROXMIRE. I appreciate that. I have a short statement.

Mr. Chairman, on July 9 I wrote you suggesting that this committee hold hearings on the economy because I was deeply disturbed by the increasingly restrictive actions of the Federal Reserve Board at a time when our economy is standing still.

I challenge any witness to appear before this committee to justify the high interest rate economy—slowdown policies of the Federal Reserve Board.

For the Federal Reserve Board to force up interest rates and reduce available bank reserves under present economic circumstances is sure to create further unemployment, especially in the homebuilding and construction industries, which are highly responsive to changes in interest rates. Unemployment in construction has been seriously high for a long time.

Americans ranging from the U.S. Chamber of Commerce to the AFL-CIO have become so alarmed by economic stagnation that they have advocated a tax cut that would pile a huge deficit this year on top of last year's unbalanced budget.

Virtually every economist and business leader who has spoken out on the economy has expressed dissatisfaction with our present rate of growth, and concern that we may be about to drift into a recession.

Unemployment has continued at a seriously high level for more than 2 years, and has failed to improve significantly during the past 7 months. For the Federal Reserve Board to deliberately force up interest rates as it has been doing is to throw sand in the engine, when what we need is more fuel.

In 1929, we cut taxes at the same time interest rates were rising to high levels. This contributed to the worst economic crash in U.S. history.

Two significant effects occurred last week which have very profound implications for the problem into which this committee is inquiring. On Friday it was reported that the Federal Reserve System had again tightened credit last week. This recent reduction in free reserves to \$300 million is significant in that it confirms the suspicion of most analysts that the Fed is now committed to a tight money policy.

The indications of such a policy seemed to be clear in June, when for several weeks in a row the Fed reduced free reserves and maintained them at levels lower than had been reached since the tight money policy prior to the last recession. This indication was confused by the temporary easing of credit that occurred in July. But now it is clear that the policy, revealed by their actions in June, does in fact reflect their basic outlook toward the need for credit restraint at this time.

It is thus particularly timely that this committee exercise its responsibility to provide the needed legislative oversight in this vital area. Monetary policy is too important to be left to the bankers. If there ever was a time for Congress to insure that the monetary policy is formulated and executed in the context of the public interest, it is now.

The chronically high levels of unemployment prevailing in this country and the chronic slowdown in our growth rates make it over-