

this country developing Americanized demand. They are adopting our standard of desire. This is an explanation, a big explanation or part of the explanation, for the growth of their economy. They have suffered a much greater degree of inflation in those countries than in this country without exception.

In some cases it is worse than others. Isn't that correct?

Mr. KATONA. Very true.

Senator PROXMIRE. Mr. Greenwald, would you agree that higher interest rates now would tend to block some of this rosy picture that you painted in construction and municipal bonds? I should say school construction and hospital construction as well as home and business construction?

Mr. GREENWALD. If you mean we are going to have additional changes—

Senator PROXMIRE. Yes. If the Federal Reserve Board adopts the policy of continued increased interest rates.

Mr. GREENWALD. Yes, sir. I did point out that housing is practically at an alltime peak. Even if you lowered the interest rates I don't believe it would help too much.

Senator PROXMIRE. What do these alltime peaks mean? In terms of family formation we ought to be at an alltime peak every year because we have more people involved.

Mr. GREENWALD. I am not arguing this. I would say in the area of construction you are operating pretty close to capacity relative to some other industries.

Senator PROXMIRE. We had such a long construction recession. We have not yet achieved in a single year as large a number of housing starts as we did in 1950.

Mr. GREENWALD. This is another one of those statistical series for which we have a break in comparability. So we have only the 1959 figure of private housing starts which just fell short of 1.5 million units.

Mr. KATONA. May I say one word about interest rates?

According to our studies of consumer decisionmaking, what they take into account when they decide, there is no doubt that in housing, interest rate matters. In other words, a sizable drop in interest rates would stimulate many people to go ahead with house buying and building plans. In consumer durables, automobiles, et cetera, it does not matter, as Senator Douglas knows best, because interest rates are so high that even a one or two percentage point drop is not significant.

Senator DOUGLAS. In the case of automobile costs it does not matter because they do not know what they are.

Mr. KATONA. It would not matter. Regarding business investment probably it would not matter because risk factors play a greater role. So the impact of reduction in interest rates is restricted to housing, I believe.

Senator PROXMIRE. Which is tremendously important in terms of employment. The other point was that perhaps a new industry along the line that Congressman Reuss is pursuing, Fortune magazine said might have the kind of impact automobiles had in the 1900's, is the space industry. This year we will have a \$2 billion increase in spending for man-to-the-moon. They expect to be spending at the rate of \$10 to \$15 billion a year by 1970. Because so much of this is con-