Representative REUSS. Let me give you an example of this. As you are perhaps aware, the Trade Expansion Act, which is now before the Senate Finance Committee, is, in its present form, so arranged that if the United Kingdom does not join the Common Market, or is delayed in joining, we won't have any powers under the act to eliminate Common Market tariffs. This provision was put in there, as I understand it, largely at the request of the State Department.

Does it seem sensible, in view of our balance-of-payments difficulties, to penalize our ability to expand exports just because the timetable of United Kingdom's entry into the Common Market does not happen to go as well as is hoped?

Mr. CULBERTSON. I am not acquainted with all the political considerations that may be involved in that. I think that the Common Market does represent an additional challenge to our position in that if things move as we hope they will for Europe, this could tend to strengthen its position relative to ours.

So it is particularly important, I think, in making the adjustments in the trade and exchange restrictions there that they should be asymmetrical in our favor. It is quite important that we, one way or another, manage to achieve that end.

Representative REUSS. Mr. Sprinkel, in your excellent paper you made a point of saying that you spoke only for yourself and you dissociated the institution of which you are an officer from your remarks, quite properly and naturally.

I join with Senator Proxmire in agreeing with you that an adequate secular increase in the money supply is a necessary precondition for a maximum employment economy. Let me go beyond that and ask you this: Even from the standpoint of the banking community—from the standpoint of making the greatest profits over a long period of time—do you not think that our banks would be better off if the monetary authorities created adequate additions to the money supply over the years even though this meant that interest rates in some periods would be somewhat lower than they otherwise might be?

The banking system, I should think, would do better by making more loans at a somewhat lower rate of interest than sitting around in a continuing, stagnating recession making fewer loans because business was not very good.

Mr. SPRINKEL. I find absolutely no conflict between my interest as a banker or bankers' interests as bankers and my statement concerning the economy. It seems to me that banking will prosper as the Nation will prosper. If the Nation does not prosper, then the banking industry and other industries will not prosper.

I would add that in the very short run, an adequate increase in the money supply might very well lead to temporarily lower interest rates, but this will almost certainly, if we are to believe the evidence of the past, generate increased spending, increased demands for funds, and ultimately higher average interest rates.

We find that countries that are healthy and growing at rapid paces without inflation typically have relatively high interest rates. That has been the case of our own history. It is in periods of economic depression or stagnation that interest rates are low for long periods of time.