

there may well be credit rationing and businessmen and others who want to borrow cannot borrow; where they would like to borrow to build a home, they can't do it.

As a result, business activity is impeded, employment is retarded. We have our heaviest unemployment in the construction industry which is exactly the industry most sensitive to interest rates.

Mr. BRYAN. We have been talking to mortgage lenders all around the South, and we find that rates are tending to ease rather nicely and that terms are rapidly going down. I mean rapidly liberalizing.

Senator PROXMIRE. The figures that I have seen fairly recently suggest they are still, I feel, at a restraining level. Perhaps in some areas of the country and perhaps in your own area this may not be the case. I am wondering now about this other matter.

Mr. BRYAN. Do you mean a restraining level?

Senator PROXMIRE. The figures I have show conventional rates, July 5.95, April 5.95, October 5.95, July 1961 they were down to 5.90. January of 1960 was the alltime high, as I understand, 6.24. I feel that these are still high. While we have had activity in homebuilding, the fact is that when you recognize the enormous increase in population and the increase in family formation, the increase in income, and so forth, the money supply really has not kept pace.

We have had about a 10-year recession, 1950 being the best year in housing starts, and we have never come back to that.

Mr. BRYAN. I am not an expert in housing, and I ought to be the first to confess that I am not. My impression of the situation of a rapidly increasing ease in that and no lack of money has come from our very recent telephone survey of mortgage lenders in my district. I have no figure out of it, simply the statement that they are easing now.

Senator PROXMIRE. You say that we merely want—

an interest rate—the price for money—that largely equates the supply of savings that Americans are willing to furnish at that price with the demand for American savings at that price.

Yesterday we had a distinguished economist, before this committee, a professor at New York University, who was formerly an economist with the New York Federal Reserve, and he said:

Of course, the Fed pegs interest rates.

Of course they do. They may do it at a high level or low level, but whatever action they take is the only conscious action to determine the supply of money that we have in our economy. If they do nothing, just that inaction will mean that you get a certain level of interest rates. If they follow a policy of ease, then this more or less establishes the rate. If you follow a policy of restraint, then this will establish rates. You can't escape from the fact that you gentlemen have the responsibility. You gentlemen have the power to determine what the level of interest rates is by determining what our money supply is.

You go on to say that we have allowed for a growth of bank reserves and tend to accommodate consumer growth with a growth in