

Senator PROXMIRE. Haven't you come very close to that?

Mr. BRYAN. Where, sir?

Senator PROXMIRE. I don't say you have said it. I said hasn't the Open Market Committee come very close to achieving this ideal of price stability?

Mr. BRYAN. I think it has become about as close as we can come by monetary policy.

Senator PROXMIRE. Having done so, your big job now is with unemployment.

Mr. BRYAN. Our big job, I think, is to give a supply of reserves that will create the environment in which employment can be full. However, we do have this sort of a problem. If you will notice, I talked a good deal about misapplications of capital and labor. That is perfectly reconcilable with what has been said about the loss of total productivity in the country. It is, however, a different sort of approach to the problem because it presents the thing in terms of the real world.

Let me explain what I mean there, sir. I believe your Subcommittee on Economic Statistics had a great deal of testimony to the effect that we have made a considerable misapplication of capital and labor in the aluminum industry.

Chairman PATMAN. Senator Proxmire is chairman of that subcommittee.

Mr. BRYAN. I should have addressed him in that capacity. Let me give an illustration of the sort of thing that I do not believe can be corrected by monetary policy.

The other day I learned in Atlanta that we have had a plant in the textile industry going on a 4-day week. That plant is manufacturing corduroys. Its market is being taken away from it. It is a perfectly good plant. Its market is being taken away from it by foreign competition. I, myself, do not see how by monetary policy we correct that.

Let me give another couple of illustrations from the textile industry. We have a considerable capacity to produce velveteens in this country. The velveteens have been taken away from us almost wholly by foreign competition. To be sure, the velveteen industry was never very great, but there is a loss of job opportunity. Capital and labor must be reallocated.

Until we can get that done, I don't see what monetary policy can do on that.

May I give still another illustration? We have a very large capacity to produce gingham. That has been taken away from us by foreign competition. I do not believe that there is any possibility for monetary policy to correct that. What we have to do is to create a supply of reserves and credit that will allow other industries to expand. We do have some massive readjustments that have gone on in the economy that I think are a great tribute to the adjusting capacity of our economic system.

I am tending to say that our problems are these problems of capital maladjustments.

Senator PROXMIRE. I would agree, but it seems to me that one answer is to permit and encourage the expansion of capital in other areas where we can do a more efficient job. Certainly on the basis of