Hill study, all of which show there is at least 5 percent below the optimum 90 percent rate?

Mr. HAYES. Yes, I have some concern for that. I think there is some excess capacity. It is awfully hard to know how much weight to give those measures and to what extent that capacity is obsolete or really is usable. I think we have only rather approximate ideas of the extent of unused capacity. I think there are investment opportunities in modernizing plant that are very important.

I would be somewhat concerned about that, but more concerned about the unemployment because of the human element involved.

Senator PROXMIRE. The reason I stress this is because we have had complete stability in wholesale prices since 1957–59. The June index was 100.1; that is 0.1 of 1 percent above the 1957–59 average which is about as perfect stability as we will ever get.

Retail prices have risen moderately. I think the 1 percent rise per year on the basis of the past record is a pretty good showing. Since we do have excess manpower, and excess factory capacity, it seems to me that from a domestic standpoint this would seem to be a situation in which the money managers would do what they could to provide monetary ease to increase the supply of money as the gross national product increases.

Does this not seem logical from the domestic standpoint for the time being, leaving out the international flow situation?

Mr. HAYES. Let me say this: I think this price record extremely gratifying. I think it should be a source of satisfaction to everyone because the record has been a lot better than it was in the preceding years.

Senator PROXMIRE. Yes, indeed.

Mr. HAYES. I would not, however, feel complete complacency on the danger of inflationary influences cropping up again. I think there are factors in the economy that could cause that although I fortunately see no likelihood of their imminence.

Senator PROXMIRE. The factors causing this, however, are not monetary factors. The factors likely to cause it are the frictions we have in the economy with administered prices, with powerful unions able to push up wages, and that kind of thing rather than a superabundance of money.

Mr. HAYES. I would think the wage push was the primary likely cause of future inflation if we get it. I would agree with you that it has not been a primary concern lately and is not at the moment.

I would say that we have been making money very easy and very available, as I have tried to point out.

I think there comes a point where you can carry that kind of measure to an undesirable extreme in terms of the domestic economy. I think you can find that the credit you are encouraging is finding its way into unsound, spectulative ventures.

Senator PROXMIRE. The statistics just seem to force me to disagree. The fact is that the money supply has not been increasing. I don't care how you define the money supply. The fact is that liquidity in the economy has not been increasing as rapidly as the gross national product.

I have the annual report of the Joint Economic Committee for January and it shows since 1955 liquid assets to GNP, and this includes