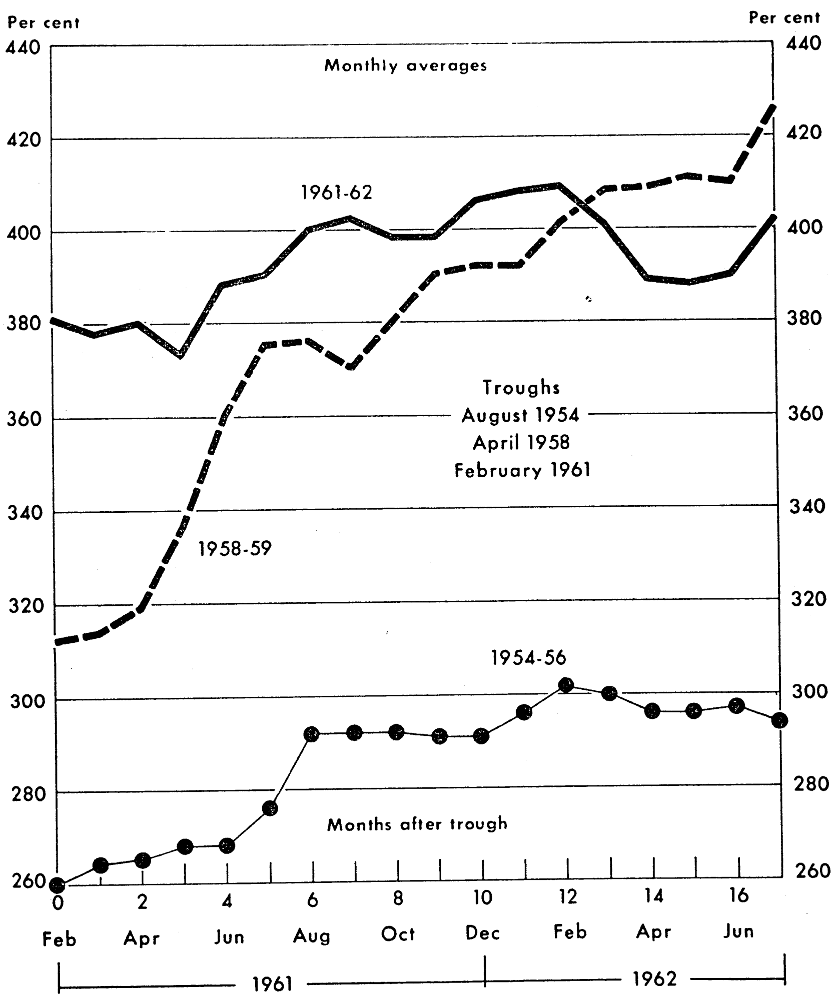
UNITED STATES GOVERNMENT LONG-TERM BOND YIELDS



Senator PROXMIRE. I do not want to hammer away too persistently on this point, but I cannot understand what kind of answer you can give to Congressman Reuss' point. It seems to me it is irrefutable.

The fact is, if you have no bank reserves, you have no bank reserves. You are saying that the difficulty is when you give bank reserves they use them. They go out and buy government securities, or make loans. It seems to me that is exactly what they ought to do.

At a time when the President is so deeply concerned with our economy so that he is going to ask for a tax cut next year although we are going to run a deficit anyway, and when most economists who testified before us feel our economy is leveling off, that to have our banking system without any reserves at all except in country banks,