you, in writing and that you will answer them when you look over the transcript of your testimony. Would that be satisfactory?

Mr. HAYES. Yes, sir; I will be glad to do that.

Chairman PATMAN. We will have a short recess.

(Brief recess.)

Chairman PATMAN. The committee will please come to order.

Are there any other questions?

Representative REUSS. No questions, Mr. Chairman.

Senator PROXMIRE. I would like to ask one or two quick questions, if I might. I have been trying to find out from the staff, can you tell me whether there has ever been a time in the history of this Nation when the money supply has been smaller in relationship to the gross national product than it is today?

The Federal Reserve has made all kinds of explanations, including the notion that time deposits have become equivalent to demand deposits, but nevertheless the statistics are pretty stubborn. They indicate the ratio of money supply to GNP is now down to 26.4 percent in the second quarter of 1962. I think that is lower than it was during much of the period of the twenties and perhaps lower than it has ever been.

Mr. HAYES. I would have to check that. I have the impression that it is close to the low point in recent years. I think it was approximately at this level in relation to the GNP during several years in the late twenties.

I think the subject of money supply is a very fascinating one and we certainly don't purport to know all about it. I certainly don't. It is something that we are studying all the time and trying to learn the significance of it.

I feel in monetary theory increasing attention is properly being paid to total liquidity. You will recall that was brought out in the Radcliffe report in England, that total liquidity had a great deal of significance.

I think the kind of measures we have been discussing showing total liquidity must be considered along with this consideration of money supply proper which is merely our definition of money supply. I don't think we need feel disturbed by that figure that you have mentioned in the light of these other circumstances.

But this is a subject that we are constantly studying and perhaps we will be able to know more about the significance of money supply as time goes on.

Senator PROXMIRE. The day before yesterday we had testimony by a very distinguished economist, vice president of the Harris Bank in Chicago, who argued that in every single recession we had without exception the recession had been preceded by monetary restraint and the tighter the restraint the deeper the retrenchment. He went back to 1918 to show this. It was quite persuasive. He argued that the Federal Reserve is following exactly those policies of monetary restraint now and in his judgment this restraint, as he defined it, and he said it makes very little difference whether you include time deposits or not, is likely to get us into the same kind of domestic economic trouble in coming years and months as we have had in the past.

Mr. HAYES. Senator, let me say first——