Chairman PATMAN. My time is about up. It is 12 o'clock. I wonder if it would be all right to have a session at 2 o'clock instead of continuing on now.

(Discussion off the record.)

Chairman PATMAN. Senator Proxmire.

Senator PROXMIRE. Mr. Martin, your analysis of the economic situation indicates, while the situation is mixed, that we are not operating our economy fully, we have a slackness in manpower and factory capacity.

Mr. MARTIN. Not as fully as we would like to have it, that is correct.

Senator PROXMIRE. In terms of monetary policy, it would seem to me that this would be the overwhelmingly important factor, rather than any of the other specific statistics which you present to us this morning. Because as long as we are not operating our economy fully, it would seem to me it would be sensible for us to continue to have a money supply which keeps pace with the growth of the gross national product. Isn't that sensible?

Mr. MARTIN. You and I discussed that the other day, Senator, in another hearing. It seems to me that money, when it is not being absorbed in the economy, and is redundant, does more harm than good.

Senator PROXMIRE. I think we all agree on that.

Mr. MARTIN. Congressman Reuss made a very good addition to my word picture of the stream by referring to the swamp on either side of it. I appreciate that.

Senator PROXMIRE. I understand that. Let me just go back a little bit. For example, you say in your analysis that the unemployment rate was down slightly, labor market data were encouraging, this showed a fairly large number of long-time unemployed.

You would agree that the unemployment figure of 5.3 or 5.5 percent is very high and the decline was statistically probably insignificant, as I understand, from 5.47 to 5.34.

Mr. MARTIN. I would like to see it lower. An objective of monetary policy, of course, is to try to help minimize unemployment. With the present conditions in the money and credit markets, I am inclined to think that our present policy of slightly less easy money is more likely to be helpful to it than more ease. But that is a matter of judgment.

Senator PROXMIRE. We have had the testimony of a number of outstanding officials and economists who feel very strongly that we have a real problem of monetary restraint.

Dr. Heller, Chairman of the Council of Economic Advisers, said that it has been especially vital to maintain reasonably low long-term interest rates and a plentiful supply of investment funds in order to stimulate private investment and quicken the tempo of growth and potential output.

Dr. Ritter, of New York University, said:

> In my opinion we will be making a mistake if we hastily formulate our policies in terms of our impact on balance of payments and gold stock. We will be doing no favor for the many nations, if we deliberately, because of international considerations, take steps that may decrease our rate of production or retard our growth. We need on both domestic and foreign grounds exactly the opposite.