

Professor Culbertson, of the University of Wisconsin, said that a policy of more drastic monetary restrictions, as already urged upon us, surely would make matters still worse and might have quite disastrous consequences. The mystical attachment to high interest rates and deflation seems, despite the clear lessons of the past periods, to have reasserted itself with a large force. The grip of this dogma and the habitual errors of Federal Reserve monetary policy are the principal impediments to the achievement of full prosperity in the U.S. economy.

There are very many more statements, and these are thoughtful men. They are not radicals. We had the vice president of the Harris Bank, who was just as emphatic. We had Dr. Bell, who made a very careful study of the impact of high interest rates or low interest rates, interest differentials on capital outflow, and concluded there was no reason for pursuing a policy of higher interest rates now. He quoted Mr. Gemmill of your own staff, who made a study indicating the same thing: interest rate differentials do not seem to be very significant in capital outflow.

The general consensus, it seemed to me, with some exceptions, was that we seemed to have been following a policy of some monetary restraint and certainly in the future, whatever the difference may have been in the past, that it would be most unfortunate if we didn't follow a policy of at least trying to keep our monetary supply increasing with our increased gross national product until we reach a level of reasonably fuller employment, until we reach a level of reasonable utilization of our industrial capacity.

Mr. MARTIN. All of the persons you cite are very competent, probably more competent in many respects than I am. But there is a phrase that you attributed to one of them, "mystical attachment to high interest rates." I insist there has been no mystical attachment to high interest rates on the part of the Federal Reserve Board during the time I have been there.

I say respectfully that a mystical attachment to low interest rates can be just as misguided and harmful as mystical attachment to high interest rates.

We want the right interest rates. We want the right interest rates to come out of a balance between the supply and demand for funds in given periods of time so that the flow of funds is as appropriately adjusted as it can be in a free market economy to the needs and requirements of the economy. That should be our goal. I hope that all of us will stop shilly-shallying about this matter of interest rates, because it is only a price attached to credit.

You can take the view that there should be no charge for interest at all. Just eliminate it entirely; but you can't do that.

Senator PROXMIRE. I have the greatest respect for your ability, and I think you are an outstanding and competent person, and everybody agrees with that, but the fact is, when you try to come down and discuss this in meaningful specific terms, it is like nailing a custard pie to the wall.

In the first place, we try to talk about free reserves, and we are in difficulty there because you say these statistics are not pertinent. We try to talk about the money supply and you tell us we have to allow for the fact that there are no time deposits included in the strict