reserves. During the same period the GNP grew by 10 percent. Your increase in reserves is only 4 percent. You did not come close to keeping pace with the need for money as measured in the gross national product. This is something you should apologize for rather than be proud of. A $2 billion increase in bank reserves would have kept pace; $3 billion would have been expansionary; $1 billion is contraction.

Mr. MARTIN. We are right back where we started from, because I don't think you can measure it that way. I think that any reasonable approach to the economy in the last year indicates that nobody has been suffering from lack of credit or ability to obtain money.

Senator PROXMIRE. Conventional rates, as I understand it, on 20-year mortgages are near the alltime high; 5.95 percent is the last figure I have seen for the last couple months, and it has been steady.

Mr. MARTIN. That rate has tended to decline.

Senator PROXMIRE. It is a little lower than it was a year ago, but it is still high.

Mr. MARTIN. That is right.

Senator PROXMIRE. Short-term rates are up, long-term rates are up even more, so this kind of hard statistical evidence suggests that interest rates are moving higher. The only hard evidence we have now shows money is tight now. You can say it is easy money. I can say it is tight money. The only way you can decide that is to go to the indicators we have, the money supply has not been growing, the interest rates have been going up, the money has not been keeping pace with the gross national product.

I can't come to any conclusion but that I am right and you are wrong.

Mr. MARTIN. That is right. It is your judgment that this increase in bank reserves and increase in credit was not sufficient. I wonder why we have had a decline in the securities markets, for example?

Senator PROXMIRE. I could give you lots of reasons. I think you may agree with Mr. Dillon and others who argue that the stock market was much too high. I think it is still too high. The price-earnings ratio was ridiculous. It was in the area of 23 to 1 on the average. This drop in stock prices was a healthy correction, in my judgment.

Mr. MARTIN. It was not the lack of credit that caused it to decline. That is the point I am trying to make.

Senator PROXMIRE. I think that is correct. I don't understand why you lowered margin requirements.

Mr. MARTIN. It may have been easily a case of too much credit being around.

Senator PROXMIRE. Which made it so high.

Mr. MARTIN. Yes.

Senator PROXMIRE. I feel, frankly, that the reason it was high was because of the discounting of inflation and a conviction on the part of many people that the only safe place they could put their money was in the stock market, because the value of the dollar was declining and it had declined steadily.

I think two things have corrected that: (1) The stability in the price level, especially the wholesale prices in the past 5 years and the reasonable stability in retail prices; and (2) the very tough action taken by the President, who indicated that he is going to crack down