When savings and loans became competitive, the money started to roll back again. As I already said, our concern is basically that this flow will not be reduced. We hope that it will not, but as I already said, if it should be, then we will be in a very unfortunate situation again, because we need the second-half flow of funds to continue at some high level.

Representative CURTIS. Mr. Paradiso?

Mr. PARADISO. I would like to get some clarification from Mr. Katona which bears on this problem of the consumer spending in the second half of the year, and which also is related to the tax problem. I don't think there is any difficulty in getting a very substantial increase in consumer spending in the second half. I think what you are really asking is not the total consumer expenditure, as I understand your survey, but that you were really talking about a relatively small percentage, 15 percent of consumer spending, related to the consumer durable goods sector.

If this is so, consumers have been spending on nondurable goods amounts which were quite consistent with their disposable income, and as far as their expenditures on services are concerned, they have been rising steadily for many, many years, and that increase is continuing. So that when you consider the totality of consumer spending, it is not difficult to get an $8 billion or even a $10 billion rise in any particular quarter.

The sluggishness in your surveys comes from spending for furniture and electrical appliances and automobiles. Am I correct on that? Because I don't find it difficult to get a large increase in consumer spending.

Mr. KATONA. I would take objection to the 15 percent figure. The Federal statistics only differentiate durables, nondurables, and services. Discretionary expenditures, expenditures on things people like to have rather than must have, are much larger than 15 percent. There are innumerable services, very many aspects of leisure-time expenditures, et cetera, which are not separated well in our Federal statistics. The volatile element is represented by the discretionary expenditures, and especially the durable goods expenditures, with which we are most concerned. It is true that expenditures for necessities follow income pretty closely, as you said.

The only thing I would like to add, if I may, is that our data indicate, as has been mentioned here before, that needs for new housing, wants and desires for new housing, far outrun today the actual purchases and the expressed intentions to buy homes for owner occupancy.

There is still, as was clearly in 1966, a retarding effect of tight money. I think if this continues over a long period, much dissatisfaction would ensue. If it is true that interest rates would rise, as Mr. Gaines indicated, if it is true that tight money is with us for a long time, some measures are necessary to facilitate the flow of funds into the housing market.

Representative CURTIS. Thank you very much. I want to again thank the panel in behalf of the committee for a very splendid presentation. I know this material will be of great value to all of us.

Tomorrow the committee will meet at 10 o'clock in this same room, at which time we will hear Professor Paul Samuelson, Depart-