Perhaps, if these steps are taken concurrently and together with a continued restriction on credit, then we can hope to restore world confidence in the dollar. Perhaps then we can establish a normalcy which will endure until such time—next spring or summer we hope—as the International Monetary Fund can put its new world money plan into effect.

The free world is wondering whether we are about to crucify the American dollar on the cross of complacency.

If we as a nation are not willing to take these steps to drastically reduce spending—then I fear the consequences. I am afraid that we face a worldwide plunge into financial chaos from which we will all be a long time recovering. And while we recover, the advantage will lie with those who are not of the free world.

FEDERAL RESERVE PURCHASES

By extending the life of the act of September 21, 1966, S. 3133 would also extend the authority of every Federal Reserve bank to buy and sell in the open market, under the direction and regulations of the Federal Open Market Committee, any obligation that is a direct obligation of, or fully guaranteed as to principal and interest by, any agency of the United States.

Federal home loan banks are agencies created by the Congress pursuant to the Federal Home Loan Bank Act. (Act of July 22, 1932, 12 U.S.C. 1422 et seq.) Section 11(b) of that act authorizes the Federal Home Loan Bank Board to issue consolidated Federal Home Loan Bank debentures that are joint and several obligations of all Federal home loan banks. This is the major borrowing technique used by the Federal Home Loan Bank System to obtain borrowed funds that in turn can be loaned to savings and loan associations that are members of that System.

Making the Federal open market activities of the Federal Reserve System available as a purchaser of Federal Home Loan Bank debentures supplies a welcome additional means of obtaining funds for the Federal Home Loan Bank System. In turn, this should make more funds potentially available for home finance, even in a period when general monetary policy tends to dampen the availability of home finance funds.

This authority should definitely be extended. In fact, it should be made permanent.

Thank you for the opportunity of presenting these views.

Senator PROXMIRE. Why should it be made permanent in view of the desirability of congressional oversight and in view of the fact that you state earlier that historically as a matter of principle the National League has opposed the idea of excercise of control over dividend rates on savings by any governmental agency. I can understand why you think exigencies of the present require these—you made a good case—limitations, but I can't understand why you want them forever if you are against the principle.

Mr. MCKENNA. I am not asking for the rate controls forever in this testimony, Senator. What we are asking for is the extension of the authority of the Federal Reserve banks to purchase obligations in the open market.