Senator BROOKE. Then you think that the financial institutions had no part in creating this crisis which gave rise to this authority?

Mr. McKENNA. I don't think much can be laid on the doorstep of the savings and loan associations, Senator, in that respect. We operate of course, as you know, on the spread between what we pay for money and in turn what we can receive from the yield on the investment of money. Very frankly speaking, every member I have talked to would much rather operate in a range down between 2 and 4 percent than between 5 and 7 percent, which is about the range we are in now. It makes it much more difficult in our field, as you can appreciate, with State usury laws to contend with and other things. And really it is only the spread between what we pay for money and what return we can get from investing it that sustains the savings and loan system.

Senator BROOKE. So you are definitely opposed to Governor Robertson's and Mr. Horne's suggestion that this authority be made permanent?

Mr. McKENNA. Very definitely; yes, Senator.

Senator BROOKE. And that is the League's position?

Mr. McKENNA. Yes, sir.

Senator PROXMIRE. I am very interested in your economics. I know there is the traditional economic prescription. What you do is hike taxes, cut spending, reduce demand strongly and the result is interest rates will come down. We had a lot of testimony before the Joint Economic Committee on this and there was a difference of opinion by the economists. Some said the prices wouldn't be slowed at all. Some said the prices would begin to be slowed up in maybe a year. It is my understanding that it would have a slight effect. It might have a substantial effect. The effect on interest would be a combination of two factors. One, higher taxes reduce demand, perhaps, from the nonhousing sector of the economy and therefore tend to slow up the requirement for investment. But at the same time higher taxes slows the supply of funds as well as the demand. If this slowdown is great enough interest rates remain the same. Higher taxes slow down the economy and may or may not, in a year or more, begin to ease interest rates.

Mr. McKENNA. Yes, sir.

Senator PROXMIRE. It is interesting to notice in the past how long it has taken before this has gone into effect. I notice, for example, what happened in 1958, when in 1957 we followed a decisive policy of trying to stem economic activity. The result: increased unemployment over 7 percent, and we still had substantial inflation. I am speculating on what price we have to pay, how many people we have to throw out of work, how serious an impact we have to have on the economy to reduce interest rates.

It is very hard to make these economic judgments because of the unfortunate effect they may have on so many millions of Americans.

Mr. McKENNA. It is difficult, Senator, I realize that. Obviously this testimony must be taken as presented from the standpoint of the members of a specific segment of the economy; namely, the savings and loan industry itself. It is the hope that these measures would restore a system where, as I said, the general interest rate would be lower, the general interest levels could be lower. This then would make