Mr. GIBBONS. You are talking about the union treasurers?

Mr. BARR. We are talking about 4 to 5 percent in credit unions. Now it is true, you have to work out a factor here for the money the banks have on deposit free of interest, but also for what they are doing for that money, and the cost involved might come out roughly even.

Mr. GIBBONS. Most of them come out pretty good?

Mr. BARR. They have been.

Mr. GIBBONS. They are making a lot of money.

Mr. BARR. They are charging pretty high interest rates.

Mr. GIBBONS. But I don't jump on them for making money, but I want to say I think you are only distorting the cost-of-money situation for this loan program by not including the demand deposits that are there in great volume. The savings went up last year and American people are saving more than they ever saved before.

I think we are going to see these interest rates turn around and come back down if we quit pushing the panic button and saying they ought to be higher. I think you have done a disservice to the whole program of loanable capital by pushing the panic button on what is happening.

Savings have never been as high as they were last year despite the fact all of you economists predicted they were not going to be as high. They were never as high as last year. The American people saved more than ever before.

Mr. CAREY. Will you yield to me? I want to correct the record that our colleague is not an economist.

Mr. BARR. I am a banker. That probably makes the record worse.

Mr. CAREY. Will my colleague yield further?

My colleague from Florida makes an excellent point that a great amount of interest money rests in demand deposits but when the bank arrives at the cost of doing business and the cost of money it wants to put out on loans does it not examine the whole portfolio and see what it is getting, 8.5 percent in terms of personal loans, and the other discounts, and amounts less the interest, and so forth, and amount of deposits and so forth and examine the whole portfolio? I know in New York State the least attractive loans for the bank today are student loans. The size of the loan makes it a high-cost operation and the return is limited by law and the service on it is considerable because it does not get to be paid until the student graduates, and so forth, so it is the least attractive loan a bank can make and the student is competing with a great many more loan possibilities in the bank.

So I am not going to stand here and be a darling to the bankers, but insofar as the bankers are concerned, I think they deserve credit for putting the students in a position to borrow money even though in the least attractive sector.

Mr. BARR. That is an excellent statement and I think you put your finger on it. I think the committee has two alternatives. If we want to do something in this area, we are going to have to do it with a Government bank or else in the private sector, so I think it is necessary to tell you what I can do with the cost of money.

Mr. CAREY. If you do it in this area it is whatever it cost you for the money.

Mr. BARR. Yes, there are only two ways to go—either Government or private bank. There is the issue. Maybe I have distorted it, and if