

Mr. MITCHELL. Yes. I do not think that the voluntary restraint program can be regarded as a long-term solution. It is definitely a short-term one.

Chairman PROXMIRE. Why has the Board taken this position on Fanny May purchases?

Not only the Joint Economic Committee and both Banking Committees of the Congress, but the Congress itself passed legislation authorizing the Board, to buy the obligations of FNMA to support the housing market.

Several times now you have said that one of the reasons why you are following a policy of expanding the money supply, at least not a very restrictive monetary policy in spite of inflation, is that you do not want to kill the housing market.

One answer is to have the Federal Reserve Board directly buy Fanny May obligations, so that the differential between the interest rates on Federal obligations, regular Federal obligations and mortgages, could be narrowed. So that you could have at least some influence on bringing down the cost of money for those buying homes.

Mr. MITCHELL. Well, let me put it this way: If we dealt in agency issues on a relatively marginal basis, you know, just in small amounts without the intent of doing anything to the rates—

Chairman PROXMIRE. That is not what we want, of course.

Mr. MITCHELL (continuing). Of significance, you can make arguments in favor of this, but I think the major argument against this is that some issues are really too small, they ought to be pooled.

Chairman PROXMIRE. What we want is for you to deal in a big way.

Mr. MITCHELL. That is what I understand.

Chairman PROXMIRE. To bring the cost of money down for housing.

Mr. MITCHELL. Yes. Let's say we have some kind of a bank credit or a proxy that we are watching, which tells us when we are injecting too much credit—you can use your money supply and, say, I use bank credit—and we have agreed that this is about what we want to achieve.

Now if in this situation we have to buy housing issues, we would have to sell Treasury issues—

Chairman PROXMIRE. Yes.

Mr. MITCHELL (continuing). And the sale of the Government issues—

Chairman PROXMIRE. Or at least not buy as many Government issues, depending on what your policy is in general?

Mr. MITCHELL. Well, I think, we would have to be selling off some Government issues, and this would put a lot of strain on Government issues.

Chairman PROXMIRE. You cannot have everything.

Mr. MITCHELL. That is right.

Chairman PROXMIRE. The point is that we would recognize that the housing industry is the one that has been most vulnerable?

Mr. MITCHELL. Yes.

Chairman PROXMIRE. To monetary restraint.

Mr. MITCHELL. Well, Government—

Chairman PROXMIRE. It has suffered very greatly as you emphasized so well in 1966.

Mr. MITCHELL. That is right.

Chairman PROXMIRE. And it could suffer badly again. In fact, I think that if we are going to follow the kind of policy that the inter-