whelmingly clear that no monetary constraints whatsoever should be placed on economic activity.

Federal Reserve monetary policies could easily frustrate any attempt to stimulate the economy through a tax cut, in the same manner that proper monetary policies might possibly preclude the need for significant fiscal action at this time.

The second event that occurred last week which gives special meaning and timeliness to these hearings was the failure of the Treasury's attempt to float a new issue of long-term bonds. The Treasury was willing to sell up to $750 million worth of 30-year bonds which were priced to yield 4.19 percent. It is significant that subscriptions amounted to only $316 million. This fell far short not only of the $750 million that the Treasury was willing to sell, but it fell far short of the $500 million that the Treasury expected to sell.

This is a very strong indication that there is not the available liquidity at the long end of the market that many have talked about. If investors are not willing or able to take advantage of such attractive rates, they certain must lack significant loanable funds which are seeking a place for profitable investment. The only other reason for the dismal failure of this recent attempt of the Treasury to attract long-term funds is that the investors feel that the rate of interest is about to go higher.

Either of these two possible explanations is very distressing in its implications. The deficiency of the availability of loanable long-term funds suggests that the restrictive policies of the Fed have already had an effect. In any case, it suggests that the Fed is in error if it feels that it must soak up a significant amount of excess liquidity at the long end of the market.

These recent events suggest why it is necessary for Congress to act quickly to prevent the misguided policies of the Fed from continuing to slow down the economy. It is my hope that these hearings, and further report, will help to remedy this situation.

I thank you very much for indulging me in this statement. As you know, I did write you on this matter, and I feel very, very strongly, and I am sure that you share at least some of my sentiments.

Senator DOUGLAS. Mr. Chairman, I wonder if the Senator from Wisconsin would obtain unanimous consent that the letter which he addressed to the chairman on July 6 should be made a part of the record; and if he does so, I will ask unanimous consent that the subsequent letter, which I wrote, addressed to the chairman, some days after that, also be made a part of the record.

Senator PROXMIRE. Yes, indeed, Mr. Chairman.

Chairman PATMAN. I would like to add that the chairman's reply also be inserted.

Senator PROXMIRE. I make that request, Mr. Chairman.

Chairman PATMAN. Without objection, it is so ordered.

(Letters referred to follow:)

JULY 10, 1962.

Hon. WRIGHT PATMAN,
Chairman, Joint Economic Committee, Washington, D.C.

DEAR WRIGHT: I think we should have a few days hearings of the full committee about the state of the economy, and especially we should get Mr. Martin to come before us to explain why he has been tightening credit for legitimate business loans and investments but loosening credit for stock market speculation.