Dr. HELLER. Senator, we have in part, although, as I noted in my statement, we have been inhibited with respect to short-term interest rates by balance-of-payments considerations. Most of our present long-term interest rates, however, are below those at the time of the trough in 1961, and in case after case——

Senator DOUGLAS. You expect them to be that just through the normal cyclical process, interest rates fall in a period of recession and rise during a period of advance.

Dr. HELLER. If I may interrupt, that is what makes the comparison with 1959–60 relevant. Every one of the major interest rates today is below its level at the corresponding point in the recovery of 1959–60. The reason for that in part is that the recovery this time has not been as strong as expected and the monetary ease that has been continued is, therefore, greater than it would have been if the recovery had been more vigorous. In a sense we have used continued monetary ease.

Senator DOUGLAS. I want to concentrate our attention upon the developments in May, June, and July of this year when, as you said, economic conditions began to turn down, and when according to all the classical principles, monetary ease should have been observed. On page 29 of your very excellent Economic Indicators, the first column gives the rate on 3-month Treasury bills on what is known as the short-time rate. In May that was 2.694. At the end of June it was 2.719. On July 21, it was 2.983.

I have a release just issued by the Federal Reserve Board a few hours ago. It shows a slight fall, but it is still 2.874 as of August 4. This is an increase since the average in May of 28 points, or over 10 percent. So the short-term rate has gone up 10 percent. It is notorious that this has been done by the Federal Reserve selling short-time Government bonds in the market which has depressed the price and raised the yield and consequently raised the short-time rate upon which the Reserve in the past has always placed such great emphasis. My figures are correct, are they not?

Dr. HELLER. Yes, indeed, they are. I was just going to add the very latest figure which is 2.802.

Senator DOUGLAS. When was that?

Dr. HELLER. That is the figure for the week of August 11.

Senator DOUGLAS. Have we reached August 11 yet?

Dr. HELLER. No.

Senator DOUGLAS. Is not this forecasting on a large scale?

Dr. HELLER. These figures are reported as of the beginning of the week of the new issue, but they are reported as of the date at the end of the week, so we have it already.

Senator DOUGLAS. Even so that is an increase of 21 points, or around 8 percent?

Dr. HELLER. No, I believe that is an increase of 11 points, or 4 percent.

Senator DOUGLAS. Has not the policy of the Federal Reserve in the last 3 months been to violate the historic principle that when recession threatens—and I agree with you that it is not here, and the testimony this morning was pretty clear that there was no clear evidence that it was coming—Has not the action of the Federal Reserve in raising interest rates flown in the face of the doctrine that the first