

6½ years at a cost of 4 percent, and \$316 million on bonds due in 30 years at a cost of nearly 4¼ percent.

I might say in this connection that the administration expected to be able to sell \$500 million worth of bonds, 4¼, 30 years. They stood ready to sell \$750 million of bonds and they could only sell \$316 million, indicating the serious plight of our money market.

The fact that interest rates have gone so high and risen so sharply, expectation of higher interest rates, is so apparent in the money market that they refused to buy the Treasury bonds at this very enticing rate.

It goes on to say that the reason for the long-term borrowings at rates closely approaching the highest incurred by the Treasury in the postwar period is perhaps best summed up in the declaration by the Federal Reserve Bank of New York in January:

As an objective of monetary policy, the defense of the international value of the dollar has come to occupy a position alongside of the goal of stable economic growth.

You used some very strong words about the importance of monetary ease for the domestic economy.

Now I want to read briefly from what Chairman Martin said to us in February.

There is no invariable relationship between relative interest rates in various capital markets. While interest differentials can be an important factor in movements of capital, there are others.

He goes on to say what they are.

Capital movements are sometimes viewed in the narrow concept of short maturity. The differences that existed last year between money rates here and abroad on this kind of paper do not appear to have been a primary determinate of international movements of funds of this type.

Under Secretary of the Treasury Roosa has written the same kind of thing. Mr. Gemmill, a top monetary economist with the Federal Reserve Board, has written similarly.

As I understand, there has been no change in the forward cover premium. Chairman Martin indicated this to us 3 weeks ago when I asked him about this, so I just can't see what all the concern about the international balance of payments situation is that would warrant a deliberate policy of raising long-term interest rates, and the evidence is overwhelming, as well as short-term interest rates.

Dr. HELLER. As I believe I suggested in my response to earlier questions, the rise of about 20 basis points in the long-term rate is a matter of very serious concern to us, on the same general grounds as it is to you. It has made the cost of long-term money more expensive and might have touched off expectations of further rises. As you suggest, such expectations might have had some impact on the rather modest amount—I think you said \$316 million—that the Treasury was able to borrow on long term.

Senator PROXMIRE. This is the Treasury Department policy determination. This is not the Federal Reserve Board.

Dr. HELLER. This is a source of concern to us as well as to you. I think in our consideration of the interest rate and monetary spectrum we should not leave out of account that, contrary to the development you just pointed out, in some areas—such as mortgage rates—