

municipals. Municipals are yielding on an average $3\frac{1}{4}$ to $3\frac{1}{2}$; with the tax-free feature, it is equal to $6\frac{1}{2}$ percent or better.

To buy Government's with savings funds, they were simply losing money. That is why the banks carry few long-term Government's. They carry, as a secondary reserve, a substantial amount of short-term Treasury bills and certificates and only a small amount of Government's maturing beyond 5 years.

The great bulk of the Government's carried by the banks are 1- to 2-year maturity. They are what is termed by bankers a secondary reserve. They have largely invested their savings funds in municipals and mortgages because they are the most profitable outlet for them.

Chairman PATMAN. I do not want to debate with you on the branch bank question. I am opposed to your views on that, Mr. Eccles, as you know.

Mr. ECCLES. Yes.

Chairman PATMAN. I do not want to take up too much time, since the other members would probably like to ask some more questions.

We have another witness, Mr. Byran, President of the Federal Reserve Bank of Atlanta, Ga., and a member of the Open Market Committee. We want to hear from him. But if we do not get through this morning, we will have a meeting this afternoon.

Representative CURTIS. I have one that is in the nature of a question. The other is more in the nature of a request for further information. I would like to make this comment, that we certainly are drawing on your resources, Mr. Eccles. One of us is asking you on debt management policies, next on monetary, and then on labor and so forth.

Mr. ECCLES. They are all related.

Representative CURTIS. You have been very kind to put up with us. One question I did want to pose. When you mentioned the fact that it was World War II deficits, as I understood—and I have heard others make this remark—that got us out of the depression, the assumption was that the deficits just hadn't been large enough.

Mr. ECCLES. That is right, they were not.

Representative CURTIS. I want to put this as a challenge, because this is the first time I have had an opportunity to hit this on the head, because there were 10 million people unemployed in 1938 after about 6 years of this theory.

Mr. ECCLES. It was 20 before that.

Representative CURTIS. No; not quite that. That is stretching it. The point I want to bring home, and I know you must agree with, these people that refer to World War II, we put 10 million men into uniform. We gave them an occupation. We had price and wage control and we had rationing and we had the psychology that goes with war.

I certainly think that those who want to advance their deficit financing theory certainly don't want to use an economy based on war as a suggestion that in any way relates to what might be accomplished in peacetime.

Mr. ECCLES. We certainly can do it in peacetime, I have said many times.

Representative CURTIS. How can we do it in peacetime unless you want to resort to price and wage controls and rationing and build up