

Treasury bill rate and yield on long-term Government bonds—Market rates, short term and long term

	3-month Treas- ury bills	Long- term bond yield		3-month Treas- ury bills	Long- term bond yield		3-month Treas- ury bills	Long- term bond yield
1946-----	0.375	2.19	1954-----	0.953	2.55	1961:		
1947-----	.594	2.25	1955-----	1.753	2.84	1st quarter--	2.376	3.83
1948-----	1.040	2.44	1956-----	2.658	3.08	2d quarter--	2.321	3.80
1949-----	1.102	2.31	1957-----	3.267	3.47	3d quarter--	2.324	3.97
1950-----	1.218	2.32	1958-----	1.839	3.43	4th quarter--	2.475	4.00
1951-----	1.552	2.57	1959-----	3.405	4.08	1962:		
1952-----	1.766	2.68	1960-----	2.928	4.02	1st quarter--	2.739	4.06
1953-----	1.931	2.94	1961-----	2.378	3.90	2d quarter--	2.712	3.89

(Mr. Bryan subsequently submitted the following:)

1. I have great respect for Dr. Gurley, and his chart deserves thoughtful study. In the time interval permitted to review the transcript, and in the absence of a description showing how the chart was constructed, and the trend lines selected, I cannot make an analysis that would be helpful to the committee.

I do know, however, that investor preferences constantly shift as between short, intermediate, and long markets; they shift between Governments, municipalities, corporates, and other markets; indeed, they shift from time to time as between borrowing industries. I also know that on the other side, borrowing demands in the market shift. If we were to have, therefore, a constant relationship between long and short rates, I should infer that rates had been pegged.

My inclination would be to argue that the shifts in investor and borrower preferences illustrate what I believe to be the great danger inherent in an attempt by the Federal Reserve System to peg—if I may be permitted a color word—the structure of interest rates and the shape of the yield curve.

Chairman PATMAN. With reference to member bank reserves and net free reserves today, these figures contain some amount of vault cash. When the vault cash provisions were being put into effect during 1960, was there any discussion at the meetings of the Open Market Committee to the effect that you were putting disproportionately large amounts of net free reserves into the country banks?

Mr. BRYAN. I don't recall, Mr. Chairman.

Chairman PATMAN. Was there also any discussion at the different meetings of the Open Market Committee in 1960 which recognized that the reserves made available to the country banks through the vault cash provision were not finding their way into the money market and were, in fact, having very little effect on the bill rate as compared to the effect you would expect if you had made the same amount of reserves available through the open market operations?

Mr. BRYAN. I have not reviewed the minutes of 1960. I see by the questions that I should have.

Chairman PATMAN. You attended all the meetings?

Mr. BRYAN. With some exceptions.

Chairman PATMAN. Would it be unfair to say that when the Federal Reserve made the vault cash available as reserves rather than engaging in open market operations, that it was trying to increase the profits of the banks?

Mr. BRYAN. I have never heard that argument made.