

Mr. BRYAN. I understand. But where I am looking up facts?

Chairman PATMAN. Yes, sir; you may supplement your statements with any information you believe is germane.

Mr. BRYAN. All right.

Senator PROXMIRE. What do you mean by drying up funds in the long end of the market? Define that "drying up."

Mr. BRYAN. We have a situation now in which it seems to me, Senator, that we have the capital markets behaving very well. The new issues market is going over very well. Everything is going over very well.

Senator PROXMIRE. Except for the 30-year Treasury sale at $4\frac{1}{4}$ percent, which went over like a lead balloon. It was a real flop and a great disappointment, I am sure you agree. We wanted to sell 750 million; we sold 316.

Mr. BRYAN. Actually that, I think, illustrates perfectly well what I think is the danger—and I genuinely believe is the danger—of trying to establish a market that is out of line with going rates. I do not want to comment on the Treasury's operation there. But one of the difficulties in an interest rate is that you must price your issue to hit the market. I believe a great deal of the Treasury's problem on that issue was on the pricing. I think the Treasury—I am not sure of this—that they did not expect to get the 750 million. The guesses in the market were that they would get a little more than they did get.

I would like to point out on that, that just prior to the issue there were a number of corporate issues in the market going at much higher yields. What I am saying here is not criticizing the Treasury on the close pricing of its issue. If I had been they, I would have done the close pricing just as the Treasury did.

Senator PROXMIRE. The big difficulty is that here is what seems to be a very attractive rate. Four and one-fourth percent is really pretty high. There is no risk. This is the Government of the United States. If we can't borrow money at $4\frac{1}{4}$ percent, it seems to me the situation is not good, particularly at a time when there are so many indications according to you money managers that we have easy money. I would appreciate it if you would give me a fuller definition in your remarks of "drying up the long end of the market."

Mr. BRYAN. I will do my best, sir.

(The following was later received for the record:)

I think in terms of an equilibrium rate established by the decisions of borrowers and investors. If we drive the long rate, say, to a level lower than would be established in the market, I assume private investors would tend to avoid the long end of the market. They will seek to disengage themselves from it. Then, as the ultimate result of the policy, the severity of the result being dependent on the degree of artificiality we have created, the Federal Reserve System can only maintain the rate by swallowing all the long bonds that are thrown at us.

Chairman PATMAN. Just one or two more questions, Mr. Bryan. You have been very patient, and we appreciate your patience with us.

The discount rate has been kept at 3 percent for the last 2 years during business recession and expansion. Since the amount of borrowings at the discount window have been negligible during almost the whole of this period, why was it necessary to maintain the rate at this level? Would it have made any difference if you had dropped the rate to $2\frac{1}{2}$ percent? What would happen if the discount were lowered now?