have in mind some necessary limit on our operation so that we won't become too important in it and approach some kind of pegging operation.

There are various degrees of pegging and I hope we can avoid all of those degrees. I think Mr. Ritter is confining pegging to the most extreme case of it. I think in the early part of 1961, for a variety of reasons, it was possible to operate rather substantially in this end of the market without having an unduly dominating influence and with some useful effects.

For one thing, the banks, having seen the turn or expecting a turn in business, were inclined to put themselves in a liquid position and were in a mood to sell a substantial number of offerings in the intermediate term area, which we were able to buy and facilitate that process without risking too much effect of dominating the market.

Chairman PATMAN. Mr. Hayes, now and in the recent past, at least the last few months, and possibly the past year or two, you have been trying to keep short-term interest rates up and long-term rates down. That is correct, is it not?

Mr. HAYES. In recent months I don't think there has been any conscious effort to keep long-term rates down. We have been trying to keep short-term rates up.

Chairman PATMAN. You have been trying to do that arbitrarily? In other words, do what is necessary to keep them up?

In a competitive free money market, isn't it a fact that the short-term rates normally are lower than the long-term rates?

Mr. HAYES. I would think that short-term rates would have a tendency to fluctuate more widely than long-terms. They might be higher and they might be lower. Most times they have been lower.

Chairman PATMAN. Looking back over a half century, Mr. Hayes, do you know of any time when the short-term rates were close to or above long-term rates, except during the pegging period that we have been talking about?

Mr. HAYES. I think back around 1920 they were higher than the long rate.

Chairman PATMAN. From just my recollection I thought that normally in a competitive market the short rate was much lower than the long-term rate?

Mr. HAYES. I find that at times in 1959 short rates were higher than long. I find in 1929 they were substantially higher and in most of 1920 they were somewhat higher.

Chairman PATMAN. Those could be considered exceptional cases, could they not?

Mr. HAYES. It certainly was true that in most years short rates have been lower.

Chairman PATMAN. Mr. Reuss, would you like to interrogate the witness?

Representative REUSS. Thank you, Mr. Chairman.

Mr. Hayes, at the time of the hearings earlier this spring before the House Committee on Banking and Currency on the proposed $6 billion standby credit arrangement with the International Monetary Fund, the Federal Reserve suggested that it was about to enter into certain arrangements or agreements with various foreign countries.