I just wonder if the banks are getting into a position where they will soon be just Government bond brokers and commercial bookkeepers, and not be doing much business for the people in the way of making loans to local folks. I just wonder if there is not a danger there.

Secretary DILLON. I think that certainly the larger banks have been trying very much to put their money out on business loans. Up until possibly very recently, there has not been the demand they would like to see. And I think that that is one of the reasons that they have gone so heavily into municipals, because the loan demand in volume was not there.

I think the small banks probably have not changed so much, and they probably are still making the same local loans they always have.

Chairman PATMAN. Thank you, sir.

Mr. Curtis?

Representative CURTIS. I am glad to see the Secretary.

I have two lines of questioning, one on debt management, and the other on the tax setup. I think I will start on debt management and then on my second round get into tax matters.

I was very happy to have you discuss at some length the problems of debt management, because most of the witnesses, both before the Ways and Means Committee, in the past few weeks, in this matter, as well as the witnesses before this committee, had in my judgment largely ignored the problems that would be put on the shoulders of the debt managers if we enlarged the deficit. If we do enlarge the deficit, it simply means we have that much additional bonds that we have to market, and the economic consequences of grappling with those debt management problems ought to be considered in any study of this matter.

Now, what I was disturbed about in your presentation was your not mentioning—and I want to be sure I am right on this—one problem that I think confronts us right now, which is the continuing cashing in of E bonds. Is that balance still going down? And what about it? Is the Treasury policy to diminish the amount of bonds that are held by what I might say are our consumers? Because that is what the E bond market largely is.

Secretary DILLON. That is correct. Actually, what has happened is that our E bond sales have done very well. The amount that we have been selling recently of E bonds has been larger than in the same time of the year for some time. But it is true that we have had a larger number of cash-ins this year at the same time as we were selling more than ever before.

The net result has been that our overall totals of E bonds outstanding, the total obligation of the Government, which naturally includes the interest that has been earned on these bonds, is continuing to rise.

And just recently, with the combination of E and H bonds, we did cross the $45 billion mark for the first time. We have watched this rise carefully, and we are hopeful that it will continue.

Now, we have had an experience with the H bonds that has not been quite as satisfactory so far this year as with the E; the reason being, I suppose, that H bonds are generally bought by people who have more money to invest and who are more interested in immediate return.