

We are very gratified that our offering helped stabilize sentiment, and as a result the private market has strengthened substantially. Just yesterday a new issue of top-grade utility bonds, the Duke Power bonds, were sold successfully and marketed at just over 41¼ percent, 4.27. So it shows that the market has stabilized and come back in the way we had hoped it would.

Representative REUSS. In the marketing of these long-term bonds, you receive no help from the Federal Reserve, do you?

Secretary DILLON. Oh, no. None whatsoever. We had expected, and I think the market generally had expected, that subscriptions would be about half a billion dollars. Instead, they were \$315 million, which was less than most of us had thought.

I think the major reason we did not receive more subscriptions was that these bonds are primarily bought by pension funds, some State funds, and organizations of that nature. And many of these organizations have committees that must function, and they are not used to operating the way we do in the Government bond market, with 1 day's notice and then 1 day's sale.

They are used to buying corporate bonds, which are announced for sale quite a time ahead, and they have plenty of time to submit subscriptions. For our offering they had 1 day. I think experience has shown that if in the future we want to sell such a bond, we probably ought to give the public 2 or 3 days to make up their mind. I think we would have sold the amount we expected if we had done that.

Representative REUSS. Bearing in mind what you and I have agreed is the main reason for lengthening the debt, or preventing the shortening of the debt; namely to prevent undue bedevilment of the Treasury by the necessity of frequent refundings, why would it not be a good idea for the Federal Reserve, which after all has a \$28 billion portfolio of Federal securities, to have a few more long-term Federal obligations in the cigarbox, another half a billion of long-term debt? Why would that not be an excellent thing? Not to be purchased in one fell swoop, but as they add to the money supply in the months and years to come.

Secretary DILLON. They did last year purchase some bonds of over 10 years, and I think that was helpful to the extent that they did it.

I do think that it is probably more important to be of what help they can be in the area in which there is a greater volume of securities, which is the 5- to 10-year area. They have bought more in that area, but still not very much, and I would think if they were going to buy longer issues, that would be a place it would be particularly important for them to start.

Representative REUSS. Yes; but do you not think there is a lot of evidence over recent years—I certainly would claim to have found some—that institutionally there does not seem to be the number of buyers for long-term Federal debt, 20-year bonds, and so on, that there once was, or at least proportionately, and hence why is this not an area where the Fed could come to the rescue in a modest way and do some good and no harm?

Secretary DILLON. I do not think there are fewer buyers than there used to be of Federal long-term bonds. I think what has happened is that we have deliberately not tried to offer long-term Government bonds in large volume.