

If you choose to deflate corporate profits by some different price index than that which you apply to personal income, then you could get some slight relative difference, but it couldn't change the picture materially.

Mr. ULLMAN. Let's look at the money problem and pin the basic responsibility as to the source of the pressures on the money market. Give me some figures with respect to the corporate expansion in the money market, the municipal governments, and so on. Where are the pressures basically coming from?

Mr. ACKLEY. I think Secretary Fowler's statement yesterday contained some of the most important numbers on that.

Secretary FOWLER. The key figures in this area were discussed on page 19 of my statement where I said:

A major cause of the rise in long-term rates since March is the huge volume of borrowing by corporations and by state and local governments. New capital issues by corporations in the first seven months of 1967 were a record of \$13.5 billion, up 23 percent from the similar period in 1966—which has been a record-breaking year. If one excludes private placements by corporations and looks just at public offerings, which have a greater immediate market impact, the volume of new issues was \$7.2 billion in the first half of this year, against \$8 billion in all of 1966 and \$5.6 billion for all of 1965.

If you want some comparable figures on the borrowing by State and local governments, wait just one moment and I will give you our most recent breakdown.

Mr. ULLMAN. This is a very substantial increase in corporate expansion in the money market, is it not?

Mr. ACKLEY. Yes; it certainly is.

Mr. ULLMAN. It is even more startling than last year, is it not?

Secretary FOWLER. Let me give you the State and local now. It is on page 20:

States and municipalities have also borrowed very heavily, and for somewhat similar reasons—making up for some postponements of borrowings last year and seeking to obtain some money needed now or in the future while it is currently available. New tax-exempt issues by state and local authorities came to \$8.8 billion in the first seven months of this year, up about 28 percent from a year earlier.

Mr. ULLMAN. That is up 28 percent.

Secretary FOWLER. Yes; with the other up 23 percent.

Mr. ULLMAN. What is it up in the corporate area?

Secretary FOWLER. I just read that—

New capital issues by corporations in the first seven months of 1967 were a record \$13.5 billion, up 23 percent from the similar period in 1966.

Mr. ULLMAN. Exactly the same amount of increase—

Secretary FOWLER. Twenty-eight percent in State and local governments and 23 percent in corporations.

Mr. ULLMAN. Twenty-three percent in the corporate sector. What part of this expansion in the money market has gone into increased plant capacity and what part has been merely a juggling of financial bookkeeping?

Secretary FOWLER. I don't think we can give you any precise breakdown on what these borrowings have been used for. I did say in my comments yesterday that to a considerable extent, although we can't identify the precise quantity, this heavy pace of borrowings has reflected the desire of the corporations to take advantage of the credit