

available to rebuild their liquidity and reduce their dependence on the banking system.

The memory of last summer still remains and I think corporate treasurers have tended to adopt a policy of rebuilding their cash position—certainly in some cases and to some extent in connection with particular issues of securities.

Mr. ULLMAN. What is the trend today? This is important in my mind. Does it seem to be slacking off in either the corporate area or the municipal area?

Secretary FOWLER. I can't say so. There is usually, I think, in the last half of the year some seasonal type of slackening. As far as the basic thrust of it, I see no signs of change. I think a great deal depends upon what happens here.

Mr. ULLMAN. Aren't interest rates actually going up on almost a day-to-day basis in all of these departments?

Secretary FOWLER. No.

Mr. ULLMAN. Municipalities are paying 5 percent for tax-exempt bonds.

Secretary FOWLER. Not on a day-to-day basis but the general trend has certainly been up in the long-term field since early spring, since March, I believe, to pick a given month, and the trend downward in short-term interest rates bottomed out in June and it has since moved up.

I think in the recent period there has been a little bit more of a sense of stability about interest rates. A good deal more questions are being raised as to whether under current conditions they have reached stability, but I must repeat again a great deal depends upon what happens on this particular set of tax proposals and what the outlook is for Federal borrowing in the market.

Mr. ULLMAN. Let's pursue the high-interest-rate problem just a bit further. You have authority to issue 7-year notes, have you not?

Secretary FOWLER. Yes, sir, as of July 1.

Mr. ULLMAN. Have you contemplated doing this?

Secretary FOWLER. We think about it.

Mr. ULLMAN. What interest rates, in your judgment, would you have to put on a 7-year note in order to get it marketed?

Secretary FOWLER. Mr. Ullman, I just don't like to answer a question like that when we have a financing shortly ahead of us.

Mr. ULLMAN. I appreciate that too, but the newspapers are saying it would have to be  $5\frac{1}{2}$  percent in order to market a 7-year note.

Secretary FOWLER. I don't believe I would want to comment or conjecture on what the rates would be.

Mr. ULLMAN. I reluctantly agreed to extending the definition of "notes" to 7 years; but if you have to offer them at  $5\frac{1}{2}$ -percent interest rate you ought not go into the market. I think if interest rates are this high we have to stay out of the long-term market regardless of the problems that it creates. The Federal Reserve Board and others are going to have to take more stringent action than we have in order to make sure that it doesn't happen.

Getting back to the problem of a balance between purchasing power or capacity and corporate profits, we must satisfy the people on two counts. The first is that they are better off now than they were 3 years ago with respect to real individual income.