Secretary FOWLER. I have been. I have been for very long standing. I think that it would do us all good to remember and look back and read the various statements that have been made about high interest rates all last year on the floor of the Congress, the statements that were made in the President's message last September about his concern at that time, the statements that were made in his economic message this year. All of that concern that has been voiced in the past is very relevant to this decision that now confronts you.

Mr. ULLMAN. I appreciate that but I also look at the picture of increasing interest rates and see the possibility of having another financial crisis on our hands in the future.

Secretary FOWLER. Mr. Ullman, I think the significant thing is that here there has not been an increase in interest rates accompanied by a policy of monetary restraint, but, on the contrary, a resumption of an upward trend in interest rates in both the long-term and now the short-term area at a time when, and in conjunction, with a policy of monetary ease which has very, very definite hallmarks.

For example take the amount of money supply that has been created. Actually this year the rate of growth in money supply through July is about at a 7-percent seasonally adjusted annual rate. The rise for all of 1966 was 1.9 percent.

Bank credit has been substantially expanding, and yet despite all that, you have had this upward trend in interest rates which reflects the demand situation for money in the market.

Mr. ULLMAN. I haven't been critical of the Fed because I have been in perfect agreement. I think it would have been disastrous to do anything else. I think their policy, as the chairman has indicated, in 1966 was a disastrous one, but now this is where you come in with your part of the program.

Let me express my opinion. Just the passage of the 10-percent surcharge is not going to be an answer to high interest rates. I hope it will be helpful, but a lot of other things are going to have to be done.

Secretary FOWLER. Holding down Federal expenditures is very important.

Mr. ULLMAN. Yes, and I am sure that you are going to do that to the maximum extent possible, but I think it has been pretty clear here that you can't solve this problem that we have before us by just cutting expenditures.

Secretary FOWLER. Absolutely, you can't. This tax bill is indispensable.

Mr. ULLMAN. This year in the two items of defense costs and interest rates, we have a total expenditure of approximately $95 billion. That was the amount of the total budget in 1965; wasn't it?

Secretary FOWLER. Pretty close.

Mr. ULLMAN. For only two items, defense and interest rates, we were spending—what was the whole budget 3 years ago? This is a serious situation. I think that we have no alternative but to pass the tax increase. The kind of balance we put on it we have to decide by taking a little closer look at the statistics, but whatever amount of the debt you have to finance on the market, I would hope that to the maximum extent possible you would use the devices that will keep the pressure off the private market.

Secretary FOWLER. I don't know what devices you have in mind.