

the longs, but you are quite right that right now the longs are being issued at lower interest rates than the shorts.

Representative BROCK. That has been the case for several months.

Mr. SCHULTZE. Correct.

Representative BROCK. In some degree I think due to the fact that we have been forced to concentrate on the short-term market, thereby driving up the short term.

Mr. SCHULTZE. I think there is something to that.

Representative BROCK. The competition for funds today in the money market is enormous. The competition is troubled by the impact of Government borrowings. Isn't it a fact that since we cannot sell long-term Federal bonds, because nobody is willing to purchase them at only a four-and-a-quarter-percent yield that the Treasury is forced to pay a tremendously high rate of interest today?

Mr. SCHULTZE. I wouldn't say a tremendously high rate. At the present time, short rates are modestly higher than long rates. But exactly what would happen to short-term and long-term yields if you went into the long-term market I am not prepared to say. It would, however, narrow the spread somewhat.

Representative BROCK. I have a further point I would like to pursue but my time has expired. I would like to ask, Mr. Chairman, unanimous consent to insert in the record at this point the report of the Federal Reserve Bank of St. Louis on the Federal budget trend for the fourth quarter of 1966.

Chairman PROXMIRE. Without objection, it is so ordered. The timing is excellent because the Senator from Missouri has arrived; and St. Louis is well represented on this panel.

(The document referred to follows:)

FEDERAL BUDGET TRENDS*

PERIOD ENDING: 4TH QUARTER 1966

Scope of this release

This issue of Federal Budget Trends presents data for fiscal and calendar years (page 2), for half years (page 3) and for quarters (page 4). The data are carried through 1966, and budget plans are presented for the following year and one half.

The budget program

The Federal Government plans to provide a substantial stimulus to the economy in calendar 1967. The national income accounts (NIA) budget is scheduled to move from a \$2.6 billion deficit (annual rate) in the last half of calendar 1966 to a \$5 billion deficit rate in the first half of 1967, and \$3 billion in the last half. Since the economy is expected to remain at full employment, the projected high-employment budget will move similarly. On this high-employment basis the planned deficit of \$4 billion for 1967 would indicate the most stimulative fiscal policy in more than a decade. This high-employment budget ran about an \$8 billion average surplus from 1961 to 1965.

This fiscal stimulus in the first half of 1967 arises because no major tax increase has been provided and spending, especially for defense, has continued to rise. The advance in spending in the first half of calendar 1967 does not reflect new programs requested in the January 1967 budget message, but rather a continuation of programs previously initiated. From early 1962 to early 1965, Federal spending (NIA basis) increased at about a 3 per cent annual rate. The rate of growth jumped to 8 per cent from the first to the fourth quarter of 1965,

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