The Federal Reserve System has fully cooperated with the Treasury in carrying out its financing, by maintaining a very easy money policy, by permitting very large excess reserves to continue in the banking system. This has enabled the Treasury to reduce its cost of financing from $3\frac{1}{2}$% to $2\frac{1}{2}$% on long-term financing and from more than 1% to .10% on short-time financing, by far the lowest long- and short- term rates on record.

If there is any criticism due the Federal Reserve it is because it permitted huge excess reserves to continue long after an adequate supply of currency and deposits to finance the needs of the country had been created. This brought about such low interest rates that they could not be maintained and attract investment capital under a condition of rapid recovery and rising prices without other action being taken by Government. To continue the condition of large excess reserves, when deposits and currency are larger than ever before, to put pressure on interest rates would mean creating an inflation condition more difficult to control, with bonds having further to fall the longer action was delayed.

In my opinion bonds can be maintained around their present level if assurances are given of a balanced budget and early and large retirement of debt to offset private credit expansion.

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MSE