restriction earlier so that the recession might have been slightly less than it was when it came. But our entire policy in 1958 and 1959 was directed toward doing just what I am talking about here, and this caused the Treasury to put out some longer term and higher interest rate bonds in order to attract the savings of the public and to finance the $12 billion deficit you are talking about.

In my judgment if we had not done that, we would be in a whole lot more trouble than we are today.

Charman PATMAN. With regard to your reference here to the banks seeking other outlets for their funds, and especially their holdings of State and local securities, do you look with favor upon the banks creating money to buy tax-exempt bonds?

Mr. MARTIN. You and I discussed this before. I have never been in favor of tax-exempt securities. I suspect the Congress is not likely to change that. I think municipal finance in this country is pretty well geared to tax-exempt securities today, and it would cause a real upset to correct it. I don't like tax-exempt securities. I told you that a number of times. I don't like the idea that somebody who doesn't work can get a better return, because of a tax exemption, than somebody who does work.

Chairman PATMAN. I recall that Mr. Daniel Bell, when he was Under Secretary of the Treasury gave me an estimate of the savings in cost to a road district, school district, or a political subdivision of a State or to a State, by reason of the tax-exempt status of these bonds, and he came up with a very small figure, I believe it was one-eighth of 1 percent, and I feel that is too low now.

I have a feeling that if the Ways and Means Committee of the House will have a real hearing on this, to show the devastating effects of the tax-exempt securities, public sentiment could be brought to bear against them.

You take a person who is fortunate enough to have a million dollars. If he invests in 4-percent tax-exempt bonds, he can go any place in the world he wants, spend the rest of his life, and draw $40,000 a year. He makes no tax return. He pays no tax of any kind. When there were a few tax-exempt bonds, this didn't mean so much; but now—when they are going into the market at the rate of $7, $8, $9, and $10 billion a year—that is about the rate, isn't it?

Mr. MARTIN. That is right.

Chairman PATMAN. Soon all the big wealth of the country is going to be in tax-exempt bonds, and the poor folks will have to pay more taxes.

Mr. MARTIN. I am enthusiastic on your point on this. I am glad we have something that we are in wholehearted agreement on. My philosophy on this has always been that the man on the street does not feel badly about a man getting a big salary from some corporation if he is doing a job. In fact, I think most of them wish they could have the job so they could get the same big salary.

I think they have every right to feel badly about Joe Palooka who is down in Florida, or some other place, and doesn't do any work at all, and just lives on a tax-exempt income.

Chairman PATMAN. He makes no report to anyone. Doesn't file any return. I have been interested in this over the years, as you know, and I know you have the same views. I have also been studying