

Representative CURTIS. Now, of course, we hope that our debt, in relation to our GNP, in peacetime, is considerably lower than during a war or right after the war. We would need some leeway, I would suggest, if we were to have a war.

Now, the point that I want to stress, and then I would appreciate any comments you would like to make, now, Mr. Secretary, or later for the record: The debt is a constant item, of course, while GNP is more of an economic flow item. I think it is even more important to relate the carrying charges, particularly in debt management, the interest upon the public debt as a percent of gross national product.

And if my figures are correct, the percentage of GNP of the interest on the public debt was just about the same in 1961 as it was in 1945. In other words, while the percentage of debt to GNP has gone down since World War II, the burden of carrying the debt, which takes about 10 cents out of every tax dollar, has not come down, and may even have gone up slightly.

Now, I think this is an area where we need further study. But it certainly bears on these problems of debt management which have been so cavalierly dismissed by students who were asked to present these problems and their solutions and their ideas on them to the two congressional committees.

Secretary DILLON. I would like to say just two things in this regard.

First, I think that from the figures which you have presented, the record of reducing the percentage of the debt to gross national product after the Second World War has been a good one, because, based on your figures during the 1920's, the debt was reduced about 40 percent, from 26 percent of the gross national product in 1920 to 16 percent in 1929; which you said was very proper and good, whereas it was reduced after the war from approximately 128 percent to 54 percent, which is approximately a 60-percent reduction, anyway a much greater reduction.

I am not satisfied with the 54-percent figure as a permanent figure. I think it ought to keep on going down.

Representative CURTIS. I am very happy it has gone down, and I share your belief that it should go down more.

We really have had practically no discussion on this problem. I remember when this committee held hearings on the report of the Commission on Money and Credit, I tried to pose some questions in regard to this problem of the debt in this way.

I said, "Isn't it theory today, accepted by most people, that we should have some debt?"

There are some people who keep saying that there should not be any. Our monetary policies are largely based on the fact that we have a certain amount of short-term indebtedness that has become the base of the operating monetary system.

Secretary DILLON. The other thing I wish to say in answer to your question is regarding carrying charges on the public debt, interest payments on the public debt as a percent of gross national product, which is important in a way.

It is one of the large transfer payments in public accounts, where we get the money by taxation and then pay it out again to the holders of the public debt.