

Now, I am interested in this, not just from the standpoint of getting a balanced budget. We will just assume an even break. I have got three basic reasons. The first, and by far the most important is to get better expenditure policy through the discipline that a balanced budget produces. I think we have got a very weak expenditure policy in many programs.

The second is the international balance of payments.

And the third is to free our monetary policy, so that it is more flexible in avoiding inflation.

But now I want to come to the question.

The ratio of the Federal debt to GNP is right now about 45 percent. And I think that to relate the size of the debt to GNP is an accurate measure. GNP to a degree reflects our revenues, the economic activity and the profits made from it. But I have raised the question as to whether or not 45 percent is the optimum ratio. I have suggested a ratio of around 15 percent, which is what it was during most of the period of this country's fastest growth rate. Has the administration got in mind any optimum ratio? Do they want it around 45 percent, or if they had their way, would they like to shoot for 25 percent? What do they think an optimum ratio is?

Mr. SCHULTZE. Quite frankly, Mr. Curtis, I don't think there is an optimum ratio.

Representative CURTIS. What you mean is that—I hope what you mean is that no one has yet studied it.

Mr. SCHULTZE. No, sir.

Representative CURTIS. You surely think the Federal debt has sufficient economic impact so that there probably is some ratio that would be better than another. Would you think 100 percent is a good ratio?

Mr. SCHULTZE. No, sir; all I meant was that the key thing was what you do in order to change the ratio.

Representative CURTIS. We will talk about that after we get the optimum. Maybe we can't achieve it.

Mr. SCHULTZE. I disagree. I don't think you can set an optimum and then change the budget willy-nilly to get that optimum.

Representative CURTIS. I didn't say that. I said, let's find out what the optimum is, and then we can argue. We can't achieve it for various reasons, or we have to protect it over a period of time. But to have an optimum, I would think is desirable. But when you have made the record—

Mr. SCHULTZE. The key point, Mr. Curtis, is that if you were in the year, let us say, 1924—I don't know what the ratio was—but say it was 10 percent—

Representative CURTIS. Around there.

Mr. SCHULTZE. To go from 10 percent to 40 percent would have been catastrophic in 1 or 2 or 3 years. The economy adjusts itself to given levels of financial institutions and the kinds of financial paper. Therefore, I am not sure that I can, outside of the context of what budgetary steps are needed to make changes in the debt, pick a num-