

Mr. SCHULTZE. Yes, sir; I think that is generally correct. That does not necessarily mean that the existence of a debt the size we have now, itself, makes the maintenance of an orderly market difficult. That was my point.

Representative CURTIS. That is the thing we are leading up to. I am just trying to explore the details to see whether that, indeed, is true.

I would observe that in 1966 we had the highest interest rates since right after World War I.

Mr. SCHULTZE. Correct.

Representative CURTIS. And to some degree it seems to me that it was the result of a problem the Federal Reserve Open Market Committee had in trying to do two things—to increase the money supply in accordance with the demands of private enterprise system and the demand of the Government for money in that same system, and at the same time not to let interest rates get completely out of hand. And a third factor, the impact that the interest rate had on our balance of payments.

In other words, raise the interest rates domestically, and we have an influx of foreign investment which does occur. I am simply directing your attention to some of these factors, economic factors that are involved in the management of the Federal debt.

Mr. SCHULTZE. My only point was that in maintaining an orderly market, that particular point is not necessarily or particularly made more difficult by the existence of a large debt. That was the point that I think you started with.

Representative CURTIS. That is right. And this is what I hope that we can begin getting a public dialog on. I am willing to beg my side of the question. I want to examine into it.

I have raised this over a period of years with Government witnesses, or Council of Economic Advisers, as well as yourself and the Secretary of the Treasury, I think that you have just presumed that you are right on it—

Mr. SCHULTZE. No, sir.

Representative CURTIS. But there is no evidence on that, while the evidence is quit clear as to what has happened, both as to the international balance of payments and the high interest rate. And I say it does relate to the size of the debt in relation to gross national product. And my observation is, I don't see how you can avoid it.

Mr. SCHULTZE. I am very interested, Mr. Curtis, in the evidence you have in regard to the Federal debt—you said that we never come forward with any evidence. I would be interested in the evidence that the existence of a large Federal debt has made the maintenance of orderly markets more difficult.

Representative CURTIS. I related it to the interest rate, the high interest rate in 1966, I related it for context back to the Federal Reserve Treasury accord in 1951.

Mr. SCHULTZE. How is the maintenance of an orderly market made more difficult by \$180 billion than \$280 billion?

Representative CURTIS. An orderly market for the Treasury means trying to market their securities at the interest rate they would like to get?