

Let's take December 1966. The marketable interest bearing public debt, at the end of calendar 1966, is \$218 billion, of which \$103 billion is within 1 year, about 48 percent, another \$59 billion is 1 to 5 years, and another \$53 billion over 5 years.

Representative BROCK. In other words, about 80 percent is in less than 5 years, and 60 percent is in less than 1?

Mr. SCHULTZE. That is generally correct. More precisely, 76 percent and 48 percent.

Representative BROCK. Now the real question, of course, is what impact does this have on our monetary situation, the need to roll over this tremendous quantity of debt. What would be the difference in interest rates, in the availability of money, if the debt were on a longer term basis?

Mr. SCHULTZE. Well, first, and I am sure you are aware of what has happened. We have kind of a V shape here. For about 3 or 4 years we were increasing the average maturity. In the last year and a half I think it has come down.

The closer the maturity of the debt—the more short term the debt is—the more liquid it is and the closer it is to money. Conversely, the longer term the debt is, the less liquid it is, and the further away it is from money.

In turn, this means that as you shift from short-term to long-term debt, you have two consequences. First, the total liquidity of your debt is less, and this is equivalent in general to some tightening of monetary policy. In other words, it has the same rough general effect as a tightening of monetary policy as you increase the maturity of your debt. I don't want to overstate that, but that is generally the case.

Secondly, from a management standpoint, it is easier if you don't have to roll the debt over as often.

Representative BROCK. Is it not fair to say that long-term debt can be carried at a considerably reduced cost in charges? Doesn't your short-term debt cost you considerably more?

Mr. SCHULTZE. No, sir. As you look at the normal yield curve, you will find short-term debt having a lower interest rate. Now the administrative costs of handling that are higher. But, net—and I don't think this is the way one should necessarily look at it—the normal yield curve will give you lower interest rates on the short-term debt even though the administrative costs are higher.

Representative BROCK. Do you mean to say, Mr. Schultze, that if we had the opportunity in the market to buy long-term bonds if you didn't have the ceiling on interest rates, that we couldn't sell them at less than what we are selling our 90-day Treasuries today?

Mr. SCHULTZE. No. I said the normal yield curve. Now you do get situations where that yield curve gets inverted and goes down.

Representative BROCK. Don't we have that situation today?

Mr. SCHULTZE. I don't think we do. Take a look at the yields.

Representative BROCK. I don't see how you can possibly say that.

Mr. SCHULTZE. I want to make sure I am not making a mistake. I don't think we do at the moment. I will be glad to confess error if I am wrong; I am wrong.

Representative BROCK. I thought so. Thank you.

Mr. SCHULTZE. But I will still stick to the proposition that in about 5 years out of 6, the normal case is for the shorts to be cheaper than