

problems of inflation. We do have this overhang of inventory, which in my judgment has been brought about by letting inflation get ahead of us in the late 1965 and 1966 period.

Representative CURTIS. I am not asking you this to get you involved in this issue, but from a monetary standpoint wouldn't expenditure restraint of an equal amount to what is expected from the tax increase do the same thing?

Mr. MARTIN. This would do exactly the same thing.

Representative CURTIS. That is the course I would much prefer to see us take, and, I think, the course of more prudent judgment. This leads me into another area, namely, debt management.

Wouldn't more of the Federal debt in the longer maturity area, 5 years and beyond, assist somewhat in developing easier monetary policies—both in tempering interest rates and in treating the problem of increasing the money supply in accordance with anticipated economic activity?

Mr. MARTIN. I think this committee is familiar with my views on this. I think we would be wise to remove the 4½-percent interest ceiling on the longer term maturities. If this had been done, I don't believe we would have had a bill rate at 6.04 this summer. I think we would have had lower interest rates across the board and better structure and a better setup for the entire debt if that had been possible.

Representative CURTIS. And also, I would argue, for the consumer and the businessman who is in the market for investment capital.

Mr. MARTIN. That is correct. I want to reiterate every chance I get that the Federal Reserve is not in favor of high interest rates any more than we are in favor of high taxes. We would like to see interest rates as low as it is possible to have them, because in my considered judgment, you will have the largest amount of capital formation that way. But interest rates cannot be dampened or controlled if you are going to try to do too many things at the same time, and are going to have spending converging on what amounts to skilled labor shortages, and no efficient unutilized plant and equipment capacity.

Representative CURTIS. I am very disturbed, Mr. Martin, by the aggregate figures on the marketable debt, which is about \$218 billion. Almost 50 percent of it is in maturities of 1 year and less—\$105 billion as of late December.

And then that which is 5 years and less is a total of 77 percent of the marketable debt. I think this is a grave imbalance. Would you comment?

Mr. MARTIN. Well, I personally think we would have a better debt structure if we had more of it at longer term than we have. But I think the Treasury has been making heroic efforts to do that and I think one of the things that has made it difficult for them is this four-and-a-quarter-percent interest ceiling.

Representative CURTIS. Almost impossible, because the Secretary of the Treasury said the last time they marketed any securities beyond 5 years' duration was May 1965, so there has been no opportunity except through the debt participation certificate device—

Mr. MARTIN. Under current conditions it is impossible.

Representative CURTIS. Now that leads me to another area of great concern—the international balance of payments. In Morgan Guaranty Trust Monthly Survey of last month they were pointing out that