Mr. MARTIN. That is the only time. But I see no reason at all why they shouldn't come in to us when they are down as low as they were in their balance. That is the reason we have this authority.

Representative WIDNALL. When did that take place?

Mr. MARTIN. That was on December 9.

Representative WIDNALL. In the overall picture, how do you size up the balance-of-payments outlook for 1967?

Mr. MARTIN. It is a little early to put your finger on it. I am not overly optimistic about it. I do think that there has been an improvement in our trade surplus, with the reduction of inflationary presures, and in the long run the only way we are really going to get a satisfactory balance of payments is to improve our trade surplus. Therefore, I attach a great deal of importance to this improvement.

On the capital flow—where, as Mr. Curtis pointed out earlier, we had an inflow that was partly due to the interest differential last summer—unless there is a more general adjustment in interest rates than is presently foreseeable, we may lose some of those capital inflows, and this may put additional pressure on that aspect of the balance of payments.

I would say that we have no right to be either pesimistic or optimistic about the balance of payments on February 9, today, of 1967. But it is a continuing problem, and it is one that is going to require constant and assiduous work.

Representative WIDNALL. And certainly one of the most important areas to watch, because we were helped so much within the last few months by the inflow of funds from overseas, because of our high interest rates, and it could go the other way very easily, if they don't reduce in line with our own reduction at the present time.

Mr. MARTIN. That is right.

Representative WIDNALL. It seems to me that we are now exhibiting in some areas a more rapid reduction than we expected, I believe, on some short-term borrowings, by as much as 1½ percent. Why has this happened so rapidly, rather than a gradual reduction?

Mr. MARTIN. I think it is too bad that we have had swings as sharp as this in either direction. But I worry a little bit about moving so quickly. I don't really think there is anything to be unduly alarmed about here. I think our principal problem, as I keep reiterating, is the overhang of inventory that a lot of firms have at the present time. I think this is due to the inflationary buildup that occurred in the second and third quarters of last year.

Representative WIDNALL. From the witnesses who have appeared so far before the committee, I gather that there is more of a realization on the part of the administration than they have been willing to admit in the past that monetary and fiscal policy have a place going along together, rather than operating in separate directions. Many of us have felt for a period of years that there wasn't the proper cordination between monetary and fiscal policy in order to achieve the results that we wanted.

I am very hopeful from what I have gathered from some of the witnesses before us that there will be that coordination and we can achieve the result which we could achieve much more easily with that coordination of effort.

Thank you, Mr. Chairman.