Mr. MARTIN. We had a very large inflow last summer from the Eurodollar market. It was well over $1 billion in the third quarter of 1966.

Representative GRIFFITHS. Was it money of foreigners in foreign institutions, or was it money of Americans from American institutions abroad?

Mr. MARTIN. I think it was both American and foreign money.

Representative GRIFFITHS. If it were the money of Americans, there would be other tools by which you could achieve the same result. You could repatriate that money, is that not true?

Mr. MARTIN. That is right. Mr. Solomon points out to me Americans were also borrowing extensively abroad last summer.

Representative GRIFFITHS. But part of their own money was coming back.

Mr. MARTIN. Part of their own money was coming back. They were also borrowing abroad extensively. For a lot of capital expenditures by American corporations, borrowing was undertaken in the foreign capital markets.

Representative GRIFFITHS. But there are other tools available by which we can repatriate American money, if we sharpen them up, than to increase the interest rate over here.

Mr. MARTIN. You are talking about direct——

Representative GRIFFITHS. Well, you could do it taxwise, could you not?

Mr. MARTIN. Well, we have the interest equalization tax.

Representative GRIFFITHS. There are other means to bring it back.

Mr. MARTIN. That is true.

Representative GRIFFITHS. Now I would like to ask you, are you developing tools or are studies being made by which you can tell us accurately or with any degree of accuracy the difference between a 1-percent interest raise, a rate of interest decrease, and a 1-percent tax increase or decrease?

Mr. MARTIN. We are making studies of this at all times, Mrs. Griffiths, but that is a very, very difficult measurement to make. The flow of funds is hardly amenable to any precise calculations with respect to what a given change in interest rates under certain circumstances will do.

I am very proud of the fact that at the Federal Reserve Board I think we have a staff as good at making models of the economy as anybody. I admit that I am still unpersuaded that these models are of any value except as general guides. They do not give you the precise answer.

Representative GRIFFITHS. We have up here a lot of laws that don't apply to the real world either. I would like to say that if the Government had a happy combination of monetary and fiscal policy, first, we have to set up some sort of institution by which the monetary authorities and those who are going to make the fiscal decisions have some communication, and to set it up originally, you have to have some facts on which to base it. So we need all of this in my opinion—we need a beginning towards all of it, don't we?

Mr. MARTIN. We do indeed, and in solving this problem I think that we are in a pioneering field in one sense.

Representative GRIFFITHS. Yes; I think so, too.