

as great a leveling off as I would like to see in price increases, and isn't there a distinct possibility that with the contracts up for negotiation this year of a strong impetus towards a cost-push type of inflation?

Mr. MARTIN. I don't think there is any question about it. That is the thing to watch.

Representative BROCK. Do you honestly believe that taking purchasing power away from the American consumer in the form of a tax increase will affect a cost-push inflation?

Mr. MARTIN. Not at that particular point, but I believe that it is a matter of prudence in overall budget policy that we have to look toward minimizing the size of the deficit, and not think of the budget entirely all the time as the means of expanding or contracting the economy.

Representative BROCK. I couldn't agree more to that. I question, what I am getting at is the type of tool, be it monetary or fiscal, monetary has a broader scope, and it includes several different types of monetary tools and fiscal policy includes several different types. The question I am trying to point out is whether or not a tax increase represents the right tool, given a cost-push inflation, as opposed to a demand-pull inflation? I question whether we are using the proper tool for this particular problem.

Mr. MARTIN. I would go along with you that I question whether it is necessarily the right tool, but I think it is essential that we apply something to this.

Representative BROCK. I agree. Could you suggest for us some alternative tools? I don't mean to put you on the spot, Mr. Martin. Mr. Curtis suggested cutting the expenditures, and of course, I think you would share a concern in this area as I do.

Mr. MARTIN. Indeed.

(Additional material subsequently submitted by Mr. Martin, appears following his testimony (p. 434).)

Representative BROCK. Let me change the subject to something that is of great concern to me in light of yesterday's debate in the House. What is the impact on our monetary system of short-term refinanced debt as opposed to long term? The point I am trying to get at is this.

With our 4¼-percent ceiling on long-term interest rates, we have effectively precluded Treasury from borrowing on the long-term market. You simply can't sell bonds at 4¼ percent today, and everybody knows it. Nobody will buy them. As a result, a great percentage of our national debt is now in less-than-1-year, and a good percent is in less-than-5-year obligations, which means an enormous turnover must be accomplished each year in refunding the debt.

Now what is this effect upon the monetary markets of the country, interest rates, the availability of money and so forth?

Mr. MARTIN. It keeps them more upset than I would like to see them, because the short term flows are moving around like eddies in the stream all the time, and it makes it more difficult for our operations to keep the flow steady.

Representative BROCK. Doesn't it pretty well tie the hands of the Federal Reserve System to just such action as you took in December a year ago, an action which created some political repercussions, but which also, because we did not use a combination of policies, complementary policies, both fiscal and monetary, create in my opinion cer-