

Mr. HELLER. That is why we need to lean a lot further in the direction of low-interest rates than we have so far.

Representative PATMAN. I have seen estimates that the action of the Federal Reserve Board of December 6, 1965, cost the people of this country from \$10 billion extra to \$25 billion extra last year. Do you believe that is reasonable?

Mr. HELLER. I haven't made any calculations of this sort. One always has to look at the two sides of it. What is the actual cost impact of the interest rates and to what extent did that cause people to buy less, to invest less and so forth, and thereby reduce the amount of inflation.

You have to balance the plus side of reduced inflation against the minus side of the actual increase in costs of mortgages and the rest.

Representative PATMAN. You certainly do not look with favor upon the cost of servicing of the national debt, \$14.2 billion in fiscal year 1967, when according to the rates that we had over a long period of time, in the worst times of our history, wartime and other times, the rates would have been one-half that.

In other words, we are paying \$14 billion a year now instead of \$7 billion a year, which we could have been paying for the same service. Is that rather shocking to you, being the second largest item in the entire budget of the United States, second only to national defense, in view of the cost of interest in the past and our success in getting interest at a reasonable rate?

Mr. HELLER. For a well balanced growth economy, we need lower interest rates. There is no question about it. One of the arguments that supports that is at the same time we would have less of a transfer problem for the interest payments of Government, no question about that.

Representative PATMAN. You know, too, from your excise tax stand that if you pour money in at the bottom, the lower income groups, it will percolate up, and everybody gets a little benefit from it. It helps everybody more than pouring the money into the top and expecting it to trickle down. You assume from your theory about the excise tax, where you collect about a billion-and-a-half dollars at the end of the year for every billion dollars that you reduce the tax on the low-income groups, that by letting the low-income groups have the benefit helps more than coming in from the top.

Mr. HELLER. In other words, they spend a higher proportion of their dollar.

Representative PATMAN. That is right.

Mr. HELLER. And therefore, you get a bigger bang for a buck if you have tax reductions in the lower income groups.

Representative PATMAN. And it goes into the business trade and commerce rather quickly and it helps everybody.

Mr. HELLER. There is a difference, even though it is not as great as we once thought.

Representative PATMAN. Thank you, Mr. Chairman. My time is up.

Chairman PROXMIRE. Senator Percy?

Senator PERCY. Dr. Heller, it is very good to see you here. I have great respect for Mr. Patman, but I should like to say that I consider Mr. Martin one of the finest public servants that we have in