

MATURITY DISTRIBUTION AND AVERAGE LENGTH OF MARKETABLE INTEREST-BEARING PUBLIC DEBT

End of fiscal year or month	Total amount outstanding (millions)	Percentage in maturity classes					Average length (years)
		Within 1 year	1-5 years	5-10 years	10-20 years	20 years and over	
1958.....	166,675	40.7	25.5	12.9	16.6	4.3	5 $\frac{3}{12}$
1959.....	178,027	41.0	32.8	9.6	12.1	4.5	4 $\frac{7}{12}$
1963.....	203,508	41.9	28.5	18.4	4.1	7.1	5 $\frac{1}{12}$
1967-June.....	210,672	42.6	33.9	11.5	4.0	8.0	4 $\frac{7}{12}$
1967-November.....	226,081	45.2	34.2	9.5	3.7	7.4	4 $\frac{3}{12}$

The average length of both short- and long-term obligations is shown in this table. It is clear that the average has declined mainly because of the decrease in 10-20 year maturities and the increase in under 5-year maturities, relative to the total. In fact, most of the \$60 billion increase in the total has been in maturities under 5 years.

Senator JORDAN. This is the point I wanted to lead up to, the fact that the maturity time of outstanding so-called long-term Federal borrowings is growing shorter and shorter because more of the debt, as it matures, is being financed on a short-term basis.

Mr. STAATS. Correct.

Senator JORDAN. And, therefore, a rate of 3 $\frac{1}{4}$ percent which has been calculated and used by some agencies, some agencies of the Department of the Interior, is an unrealistic rate in the context of the present interest costs. Is that a fair statement?

Mr. STAATS. That is correct.

Senator JORDAN. And it is not at all likely to be an effective or realistic rate in the very near future.

Mr. STAATS. I would agree.

Senator JORDAN. There was a time when it was set up, no doubt, that it did represent a meaningful cost of money because they used an average rate of long-term borrowings. But since, in the last 10 years, interest rates have been escalating at a rather rapid rate, any rate based on earlier prognostications of what the total maturity of all investments is would be outmoded in the present rate structure of interest in the cost of money.

Mr. STAATS. Yes. And I think the statement from the budget message that the chairman read reflects agreement on this point now.

Senator JORDAN. Before we get through with this, do you expect that we will be able to draft legislation that would give us some guidelines that would help establish those uniformities?

Mr. STAATS. I would not want to rule this out of the picture. It would be my reaction, however, that it may not be necessary or, perhaps even desirable right at this moment because the subject needs more debate, it seems to me. There needs to be certain exploration of the possibility of reconciling the opportunity cost concept which practically all economists would argue for, to the idea that we are suggesting in our report—of taking in addition to the yield rate on the long-term issues a taxes foregone factor which would bring you within two to two and a half percent of the figure which most of the opportunity cost advocates would support, which is around 10 percent.

Senator JORDAN. Most of the agencies that are using this device now, that are using this kind of technique, are doing it because of administrative direction rather than by legislation.