Chairman PROXMIRE. That is it. We want to know. It would be very helpful if we knew. And I think this public expression would mean that we would have a basis for judging your performance much better than we do now.

My time is up. Senator Miller?

Senator MILLER. Thank you, Mr. Chairman. Governor Mitchell, I wonder in connection with your statement at the end, if I could get a clear picture of what is often referred to as monetization of the national debt.

Suppose that in a given period of let's say 6 months, as a result of fiscal action taken by the Congress, there is an amount of $10 billion added to the national debt, a deficit of $10 billion. This has to be covered by borrowing, let's say short- or mid-range securities are issued. Now, where does the Federal Reserve Board come in to react to this addition to the national debt, as a result of which there is an increase in the money supply?

Mr. MITCHELL. Well, if the Treasury decides to borrow as long as it can, say 6 or 7 years, they are borrowing savings, and we do not have anything more than a sort of sideline underwriting operation to perform.

If the Treasury goes short for this, and sells securities to the banking system, we have to supply reserves to the banking system, and then the banking system, if it is under enough pressure from us, sells the securities out, and competes in the short-term market. The success of this operation depends upon how much pressure the banking system is under. If it is not under much pressure, it would continue to hold the securities and therefore the money supply would rise.

Senator MILLER. How would that happen?

Mr. MITCHELL. Well, if we supply reserves, the banking system buys the securities and deposits are rising, Government deposits rise originally and then the Government deposits are spent and it gets into the hands of the public.

Senator MILLER. On a 1-for-1 basis?

Mr. MITCHELL. Yes.

Senator MILLER. Cannot action be taken by the Federal Reserve to make it 2 for 1 or 3 for 1?

Mr. MITCHELL. Well, we would not supply any more reserves in the first instance other than to enable the banks to buy the issue.

Senator MILLER. Then I would like to have you carry on to show how this can be expanded.

Mr. MITCHELL. Let's say the Government has borrowed $5 billion. That is a balance in the commercial banks, and as they spend that $5 billion, then those balances become demand deposits of individuals and corporations.

Here again one does not know. Maybe the corporations and individuals do not want demand deposits, they want time deposits, so you might get a shift from demand into time deposits. It depends upon the reaction of the business community. If the banking system is under pressure to get rid of these securities, then this has a deflationary impact.

Senator MILLER. How do the open market transactions of the Board affect the expansion of the money supply, based upon this increase in my example of $10 billion in the national debt, in the financing thereof?