ury, Mr. Humphrey, just arbitrarily asked for bids on bonds—I mean, asked for tenders on bonds—of 3 percent for the purpose of arbitrarily—without being required to—start the increased interest rates in this country. And in May it got so bad that year that they had to back up and start over again, because of a depression.

Between the two, I would rather flirt with an inflationary period than a deflationary period—that is, a depression—for the reason that there are known, provable ways of stopping inflation. You know what they are. It can be done. But there is no known, provable way of stopping a depression when it starts. Therefore, you are in great danger when you are flirting with a depression, and you are flirting with a depression today, because you will not exercise your power over interest rates.

Mr. WALKER. Mr. Chairman, we are both from the State of Texas. We have, over the years, discussed this issue many times, when I was Assistant to Secretary of the Treasury Anderson—another Texan. I enjoyed the exchanges, because I always learned something from them. I am especially pleased that you categorized me as among the "great men" that you have discussed this issue with, but I think you are overly flattering.

Chairman PATMAN. I am talking about reputation.

Mr. WALKER. Very good.

My substantive response to your points about the interest rate stability between 1939 and 1953 is this: I think you have got to realize that during that same period there was a very significant inflation and at the same time a decline in the value of a dollar. Now, obviously, a great deal of this was necessary and a result of World War II. But that should not obscure the fundamental economic force at work—which was the creation of money through monetary policy supporting the prices of these bonds. That is the only way to do it in the shortrun. But people learn.

In the situation today, this economic analysis I mentioned a few moments ago clearly leads toward the conclusion that any attempt to stabilize interest rates at levels lower than real economic factors justify is likely to be self-defeating and at the same time result in a significant amonut of price inflation exactly like we have had. Ultimately, if history teaches us anything, this leads to the very depression which you and I and this administration are determined to avoid.

Chairman PATMAN. My time has expired.

Mr. Widnall?

Representative WIDNALL. Thank you, Mr. Chairman.

Mr. Walker, the Secretary's statement spoke about "the balance of payments continues to be a cause for concern. A small surplus was recorded last year on the equity basis of calculation. But this statistical improvement reflects a massive inflow of foreign capital—both private and official."

How large an increase was there in total? Can you tell me that, Mr. Volcker?

Mr. VOLCKER. The figure that I recall offhand for the private inflow of capital was in the neighborhood of five and a half billion, which is an exceptional figure for the United States. There were two big components in this inflow. One was a very large inflow of funds, running up toward $2 billion, into American stocks. The other big com-