

ceiling on bond issues. As a result, the average maturity of the public debt has been steadily decreasing.

In our view, the Congress should consider changes that would provide Treasury access to the longer term capital market as a regular part of its debt management function. One method would be to raise or remove the 4¼ percent bond ceiling; another would be to extend the maximum maturity of note issues beyond the present 7-year limit. Regardless of the method, the ability of the Treasury to lengthen the maturity of the debt would help not only to improve the debt structure but also to reduce the frequency and size of Treasury financing operations in the money and capital markets.

In conclusion, we believe that the foremost objective of economic policies in 1969 must be a reduction in the rate of inflation. Anti-inflation policies should be applied in a gradual fashion, to avoid a downturn in economic activity or sharply increased unemployment. But the campaign against inflation must be pursued with persistence, to rid the economy of the inflationary psychology which threatens to distort the spending, lending, and borrowing decisions of the public.

The economy has enjoyed a prolonged period of rapid growth and prosperity over the past several years. Employment, production and incomes have advanced to record high levels. But the pressure of excessive demand has outrun our capacity to produce, leading to an unhealthy and continuing rise in wages, costs, and prices. If we are to return to the path of sustainable economic growth with high employment and price stability, it is essential that we achieve a significant reduction in the rate of inflation in the months ahead.