Chairman PATMAN. I am not restricting it. I am not disputing with you on that, Mr. Martin. I am just asking you what money do we have in circulation today that is used by the people that is not bank-created. We have about $146 billion of money, don't we, approximately?

Mr. MARTIN. That is right.

Chairman PATMAN. How much of that is money that is not bank-created?

Mr. MARTIN. The bank deposits that we have are not all created by writing up assets on one side or the other of the ledger.

Chairman PATMAN. You say not all of it.

Mr. MARTIN. By no means. What would you say, Mr. Young? Do you have any figures on that?

Mr. YOUNG. The large part would be generated by bank lending and investing, but that doesn't mean it is bank-created to finance Government deficits.

Chairman PATMAN. I am not talking about the Government deficit now. So much was said about bank-created money, I just wanted to make the point that practically all of our money is bank-created. It is created by a fleck of the pen on the books of the banks. You create it at the Federal Reserve by a bookkeeping transaction.

I wanted to make the point that practically all of our money is bank-created money.

Mr. MARTIN. A great portion of our money is bank-created money in relation to the capital and surplus the bank has when it starts out. The whole problem of credit arises when you take that credit and stretch it as a rubber band to the point where it breaks.

Chairman PATMAN. You mentioned about the capital that the bank starts out on. The amount of money that the bank creates now is not directly related to the capital?

Mr. MARTIN. No; that is correct.

Chairman PATMAN. In other words, it has no reference to the capital. It has reference to reserves.

Mr. MARTIN. We have a fractional reserve system, as you pointed out.

Chairman PATMAN. Whenever you give the banks reserves, you are letting them have something that is free to them. It doesn't cost them a penny. Upon that, they can expand from 8, 10, or 12 to 1 in creating money.

Mr. MARTIN. Within the limits set up under the Federal Reserve Act which the Congress can change at any time it wants. But within the limits set up there, we must never have Federal Reserve deposits or currency in circulation in excess of 25 percent of our holdings of gold certificates.

Chairman PATMAN. That is actual circulation?

Mr. MARTIN. No; deposits and note circulation.

Chairman PATMAN. Are you talking about the Federal Reserve banks, now, or all banks?

Mr. MARTIN. It is the same thing because we carry the reserves of the banking system.

Chairman PATMAN. That is $18 billion now.

Mr. MARTIN. I couldn't give you the exact amount; $16 billion-plus.