a Government deficit, why do you say this does not represent the financing of the deficit with bank-created money?

Mr. MARTIN. To the extent that you can put in the deposits of individuals through persuading them——

Representative REUSS. I am not talking about real savings. You say, in addition to real savings, you will accept with equanimity the use by the banks of the normal growth in the money supply to finance Government deficits.

Why don't you call this the financing of Government deficits with bank-created or printing-press money? I ask you what is wrong with calling a spade a spade.

Mr. MARTIN. If it is properly related to the money supply, it is not printing-press money. That is what I tried to point out in this statement.

Representative REUSS. Then we will have to adopt a new language here. Do you mean to say that printing-press money ceases to be printing-press money if it is printed at a rate of less than 3 percent a year?

Mr. MARTIN. No. We are not talking about that. What we are talking about, covering a deficit that is being created out of thin air, if you want to put it that way, because we won't either raise taxes for the——

Representative REUSS. Nobody has suggested that.

Mr. MARTIN. That is where you end up, though. That is the point I am trying to make. The point I was trying to make to you the other day was that if you really want to get high interest rates, the best way I know to get them in the long run is to print the money indefinitely and you will end up where some of our South American friends have ended up.

Representative REUSS. That is right. I have not heard anyone suggesting that. But I do think it would contribute to public understanding if one said frankly that purchases by banks of Government securities with new money created in the orderly process of money creation is, indeed, the financing of Government deficits with bank-created or printing-press money.

Be that as it may, let me ask you this question: You said this morning that easy money causes unemployment. What is the process by which this unemployment comes about? I think you suggested that in the present circumstances of less than full employment, easing money would cause unemployment.

Mr. MARTIN. No. I was not talking about the future. I say that it does at certain times. As I pointed out, an abundance in this supply, this swamp, to get to your figure that I like, in my judgment retards the economy; it promotes unemployment.

Representative REUSS. When has an abundance of money caused unemployment in this country?

Mr. MARTIN. If there is an awful lot of money floating around and it all gets into security speculation or real estate speculation, when the bubble bursts you have unemployment on a scale that you will never have in any other way. I would say 1929 was a good example of where the bubble burst and unemployment resulted for many years