Board. I have just read a book by perhaps the leading apostle of the "new economics." The word "gold" is not mentioned. Do you think the amount of gold we have to pay our current liabilities redeemable in gold, which has now fallen to about 10 percent of what we owe, is important? Is it important for us to have the gold stock necessary to pay our debts?

Mr. MARTIN. I do indeed. I think it is.

Senator SYMINGTON. What worries me, if all these people would say that gold wasn't important—but we say it is very important, and that we plan to correct the loss, and will establish policies that will result in no further loss of gold. But each year we lose more gold.

Now when we get into this justification of the high cost of Government expenditures, especially the war, on the grounds of its percentage of the gross national product, I have here a quotation from an article written for the Harvard Business Review by Dr. Robert W. Stevens, formerly senior economist of Standard Oil of New Jersey, now professor of international business at Indiana University. I would appreciate your comment.

He said:

> Whatever may have happened to the world dollar shortage, it is a fact of life that economic, political, and military attitudes, once well established, certainly do tend to persist. Today when our economy still remains unrivaled in the world, if the popular premise that economic strength always confers financial strength is sound, then people might still think it is "natural" for the United States to be running an international payments surplus, provided various frictions and temporary obstacles to its achievement could be removed. But the simple argument from basic economic strength to continuous financial strength is not valid, and there is no natural payments balance.
>
> A country's balance of payments at any time depends on many things, only one of which is the productive power of that country's economy.

Would you agree with those observations?

Mr. MARTIN. I would indeed.

Senator SYMINGTON. Now you mentioned the importance, from the standpoint of the Federal Reserve Board's activities of preserving the integrity of the dollar. Some people who are getting burned because of high interest rates, are lobbying pretty hard. They might think of what would happen if the dollar went to pieces, to a very large percentage of the American people—those folks with life insurance, with pension plans, a great new concept of union activity, not to mention social security and all retirement plans; that is, if there was major depreciation in the value of the dollar comparable to what has happened in most other world currencies in recent years.

Wouldn't such depreciation be a very serious, almost catastrophic development from the standpoint of the average wage earner?

Mr. MARTIN. I don't think there is any question of it. I think dependable money, which retains its purchasing power, is the bulwark of a strong country, and any country that loses that has lost its underpinning.

Senator SYMINGTON. Purchasing power is the base you might say.

Mr. MARTIN. That is right.

Senator SYMINGTON. One final question. Everybody today is a "Keynesian." Some stress structural employment, some public works expenditures; some lowering taxes. But the basic theory of Keynes, was it not, was in times of prosperity to increase taxes and reduce