Even if it is true that we are beyond diminishing returns in tax policy, I think it would create some very serious damage if we were to actually increase taxes. I put this on the record because this is one reason why I move toward expenditure cuts as a solution to what is an overall fiscal policy problem. We are going to have to finance this budget. If we don't do one or the other, increase taxes or cut spending, as you point out, we will have further deficits which then impinge on the money market.

The macroeconomists had their way in this removal of the 7-percent investment credit. If anyone paid any attention to the details of it I am sure he would realize that this credit is just about the worst kind of thing that they could use to turn off and then turn on again.

I must say, too, for the record, that I feel, unlike your testimony, the investment credit is unsound both economically as well as taxwise. I might say another thing, too. On expenditure policy I am convinced that improving our expenditure policy will go both ways. One: It will cut down the deficit. But also weeding out unnecessary spending is going to improve the programs. We flood the carburetor and damage what we are seeking to attain in many of these expenditure programs. I am simply taking this occasion to put these thoughts on the record, because I think this will come into the discussion when the Ways and Means Committee goes into this area of trying to figure out what, if anything, ought to be done about financing the budget.

Now if I could get over to questions. I will preface this by some remarks. The stock market I think is increasingly becoming a good economic indicator. I have always felt the flow of gold was one of the greatest economic indicators, if we follow it. Last year, as I understand it, no new gold, additional gold from all the mined gold, ended up in the hands of governments. To me this is a very disturbing indication of hoarding on the part of individuals and institutions, and suggests to me that there should be considerable concern. Would you comment on that?

Mr. Martin. Well, I regret the hoarding of gold that is taking place. And as you say, there was practically nothing left over last year for monetary purposes. This is one of the reasons why I think we ought to press our studies on international liquidity. I think that the International Monetary Fund is an ideal place to work on this. The administration is working quite hard in this area. It seems to me that this is a——

Representative Curtis. Well, liquidity might help that part of the problem, but I was referring to this as an economic indicator. Why is it that institutions, private institutions and people around the world are in effect "battening down the hatches"? I think we had better look to see what they foresee, and this is what I say creates this disturbance. When I start looking at some of the indicators, I think I begin to share this concern.

It seems to me our international picture is in a very delicate balance, and certainly improving the liquidity or our methods of handling international imbalances would be helpful. But I think most people that I have heard would agree that this isn't going to get at our basic problem of a deficit in international payments and some other world problems. Would you care to comment?

Mr. Martin. There is no comment I could make other than that that is the problem.