I cannot understand why our Treasury people persistently keep reassuring the gold speculators in their war against the dollar that they have nothing to fear. Mr. Robert V. Roosa, while Undersecretary of the Treasury did this for years, insisting on the sacrosanct "fixed relationship between the dollar and gold", but even after leaving office, he refuses to discuss the merits of his case in the open. (See his book, *The Dollar and World Liquidity*, Random House, 1967, where he defends secretiveness in this area.) While Mr. Roosa was Under Secretary of the Treasury he kept emphasizing that "a continuously large deficit tends to weaken a nation's reputation for solvency and economic strength," (N.Y. Times, Dec. 29, 1961). He brought back blood-curdling reports from Europe, while the OECD report, at the same time (N.Y. Times, Jan. 2, 1962) pointed out that our deficit was not necessarily a mark against us, being due to Government and business lending. Why do our own officials work against us? It's done to this day.

Now again our own officials are overawed by highsounding demands on us from foreign financiers to submit to a balance-of-payments discipline. We are told we must reach an "equilibrium," but this is a poor guide when they can't specify what kind of "equilibrium" will satisfy them. At the June 1965 Symposium on the International Position of the Dollar, conducted by the Committee for Economic Development, the Secretary of the Treasury was asked a question he has not been able to answer to this day. According to the conventional "liquidity" Commerce Department definition of "equilibrium" there was a $3-billion deficit in 1964, but it was less according to other definitions. There was one so-called basic deficit, used by various economists at the National Bureau of Economic Research and the Brookings Institution, which was virtually zero. In effect Secretary Fowler answered the question about the relative merits of the different definitions: Deficit, shmeficit, "various central bankers are putting a lot of dollars out and asking gold for them." While he had "not been aware there was considerable opinion to the effect that we had no deficit," among our economists, he seemed supremely sensitive to prejudices of foreign bankers even though the economies in their countries were in a worse state than ours. (As is that of France today, in spite of the big talk from their financiers about what we must do to win their approval.) Testimony before the Joint Economic Committee on September 9, 1966 included an analysis of "hilarious inconsistencies" of European financiers who call upon us to adopt certain policies and then squawk like hell when we take them literally.

How can we explain the current and past devaluation of the dollar under the guise of its defense? Keeping the price of gold constant, as I have explained, does not prevent dollar devaluation. The dollar used for foreign military expenditures has in effect been devalued. This was done by trying to save foreign exchange whenever the cost of buying at home was more than 25%, later 50%, above the cost in foreign currencies, calculated at the official exchange rate. In other words, in decisions whether to buy at home or abroad, foreign currencies were given a higher value than indicated by the official parity. Correspondingly, the dollar was devalued. They had the temerity to call this "economy in military spending" when in fact it was a way to get less for our money.

Through tying foreign aid to purchases of our products, the U.S. reduced the value of its foreign-aid dollar. Countries receiving aid had to buy in this country even if they could have bought at lower prices elsewhere. It cost some of them 30% more, which corresponds to a devaluation of the aid-dollar by about 23%. In July 1963, the U.S. began taxing purchases of foreign long-term securities at a rate of 15%. This is the equivalent of devaluing the dollar used for buying foreign securities.

This process of devaluation of the dollar is now continuing with the Administration's proposal to tax foreign travel and tourism, which would be equivalent to devaluing the tourist's dollar. To close the "tourist gap" concessions are proposed to foreigners coming to the U.S. which in effect improves their currency in relation to the dollar, another way of saying dollar devaluation.

In addition, there are non-official proposals for taxes or tariff surcharges on imports—the equivalent of devaluing the dollar for imports—and for subsidies or tax-refunds on exports—the equivalent of lowering the value of the dollar to foreign buyers of our exports.

This sneaky devaluation of the dollar discriminates against some and favors others. It is inefficient and probably will leave whatever problem it is supposed to solve worse than before.

I request you put this letter, and accompanying material referred to in it, into the record of your Hearings on Administration Balance-of-payments proposals.

Yours sincerely,

SIDNEY KORETZ.