

misleading. Perhaps we could do without these words and just say what we mean.

There is also the term "gold demonetization." I shall not take your time to show that there are eleven different meanings of gold demonetization. In some of these meanings gold has been demonetized long ago, and in some other meanings gold may not be demonetized in another hundred years. So, again, a word without a definite meaning.

Finally, the words "flexible exchange rates." Even my dear colleague, Professor Mundell, uses this term in an entirely different way from how I would use it. Perhaps we should give up using it. It is highly confusing if we debate whether something is good or bad while what we so judge are really entirely different things.

The other point that I want to raise before I come to the discussion of the four proposals is not semantic but political: it concerns the gold lobby.

Mr. Chairman, I believe this point ought to be raised, because the gold lobby gets more irresponsible, more impertinent every day, spreading misinformation all around the world, getting paid and unpaid agents, many of whom have little understanding of the issues, to distribute misleading literature practically every week.

Let me first say that I have no quarrel with anyone hankering after higher prices for his product or services. Anyone may want what he wants, and anyone may express his wishes. I am certainly not against free speech. The farm lobby may want higher prices for agricultural products, and the trade unions may want higher prices for the services of labor, and the gold lobby may want higher prices for gold. But they should not feed us with lies.

There are, for example, the sob stories about the increased cost and vanishing profits of gold producers. It is true that there are gold deposits in the United States and elsewhere that cannot be profitably mined and processed at present wages with present techniques. But gold in the United States is largely a byproduct, and there is no economic reason for wanting to increase or maintain domestic gold output, just as there is no reason for producing our own bananas or our own cocoa or coffee.

If anybody feels sorry for the gold-mining firms in South Africa, he will perhaps be reassured if he learns of their profit-and-loss statements. We should distinguish between the new mines, which produce the bulk of the total output, and the old mines, which produce only a small and declining portion. The profit margin in 1967 was 47 percent of sales in the new mines and less than 10 percent of sales in the old mines. The cash flows were much larger, because costs included ample depletion allowances. Thus, production costs can go on increasing for quite a while before profits vanish at a selling price of \$35 an ounce.

The owners of shares of gold-mining companies may complain that they earn very small dividends relative to the stock-market prices of these shares. The reason, however, is not a decline in the earnings of the companies, but the crazy climb of mining-share prices over the last years, induced by the predictions of the gold lobby that the United States will be forced to double or triple the present price of gold.

If speculators have believed these predictions and have paid 40 and 60 times annual earnings for gold-mining shares, they will have to pay dearly for their lesson in financial analysis.