much as Professor Machlup has mentioned, is held by private holders but, in my opinion, it is being held as a form of savings by Indians, by peasants, Middle Easterners and so on, in much the same way as Americans hold common stocks.

These people may sell some of it when the price rises. In fact it is quite possible that in India today silver is being replaced with gold in hoards because of the high price of silver.

These are investors, savers in an old-fashioned sense. I don't think that their gold holdings are available for sale to the monetary authorities with any minimal change in the price of gold. This is their type of investments.

Now, we do have a group who have bought large quantities of gold in recent years and do intend to sell it off. Their buying has been mainly since 1965, and in this period they have accumulated— I would call this speculators' holdings—over $3 billion. These are the men who are waiting for a change in price. It is not the Indian hoarder, it is not even the Middle Eastern hoarder, or the French peasant. It is the big speculators. They include, of course, as you suggested, some banks.

Mr. MACHLUP. I am very grateful to my friend Bernstein to give me a chance to clarify what I have said. Of course, many holders of gold have not bought it merely for a rise in price. Many have bought it for traditional reasons or as safe investments, partly because gold is so much easier to hide from the tax collector and from a confiscating government, and so on. But the assertion that they will continue to hold it for eternity, regardless of what happens to its price is, I believe, questionable.

Let me quote Professor Mossé, a Frenchman, who said the following thing this last Friday at the Congress of the International Economic Association in Montreal. Professor Mossé estimated the holdings of gold by private Frenchmen to be between $4 and $5 billion, and he believed that these $4 and $5 billion may come to the market for sale as soon as the price drops below $35 and threatens to decline further. In other words, these are not permanent holdings. This gold is held chiefly in order to avoid losses from the depreciation of the currency. But if the gold depreciates faster than the currency, holding gold is not a good investment. When people discover this, they try to get rid of it.

The same thing is true of the gold holdings in the Near and Middle East. These are merely the holdings of rich sheiks. These sheiks are very intelligent men with good advisers, and they would not dream of holding gold if they expected the price to conform to supply and private demand and, hence, to come down. If they knew for certain that the price could more likely fall than rise, their gold would come back to the market for resale.

However, I agree there is one group of permanent holders of gold. There are certain Indian maharajahs and also poorer Indians who hold gold, and also in the Far East there are traditional hoarders. But I do not expect these holdings to be more than $3 or $4 billion out of the $20 billion that I have mentioned.

So, my mentioning of $20 billion of gold available for final uses may be vulnerable, and can reasonably be questioned. On the other hand, private gold holdings may be more than $20 billion. After all, we do not know for sure, maybe they are $24 billion, and then the error may be in the other direction.