

Mr. MACHLUP. They would not. The people who have held gold have made the most terrific loss. I have made calculations which show that someone who bought gold in 1954 holds now approximately one-fifth of the amount of wealth that he would have if he had bought American stocks on the New York Stock Exchange, of an average composition, the one used for the Dow-Jones index. So, anyone who bought gold was an absolute idiot. I cannot take it back. He was just an idiot. He has now only one-fifth of what he would have had, had he invested in the American stock market.

I do hope and pray that he will be an idiot also in terms of the future, because that depends only on you, gentlemen. If you will not raise the price of gold, then the price of gold will not be raised, and the gold speculators will turn out to have been very stupid indeed.

Senator MILLER. I do not want to interrupt your thinking, but you were talking about a foreign dollar holder.

Mr. MACHLUP. Yes.

Senator MILLER. Who in 1952 had invested in American stocks as distinguished from his investment in gold?

Mr. MACHLUP. Yes.

Senator MILLER. Now, what about an American dollar holder who had invested in stock? Would he have been as idiotic as his foreign counterpart?

Mr. MACHLUP. No. The American dollar holder would have been very right to invest in American stock.

Senator MILLER. Well, instead of that, suppose he transferred funds to Switzerland and ended up owning gold bars in Switzerland?

Mr. MACHLUP. He is a capital idiot.

Senator MILLER. Would he have been just the same as your foreign counterpart?

Mr. MACHLUP. He would have been not only an idiot but he would have broken the law of the United States at the same time.

Mr. BUTLER. Even if he had invested in Treasury bills, which are sort of the lowest yielding assets, again I made some computations. For the past 10 years, had you held gold, the value of your holdings would have gone down something over 20 percent. Had you invested in Treasury bills, it would have gone up by some 20 percent.

Mr. BEHRMAN. I would like to get into calculations, too, Mr. Miller, if I may. I made a few about what would have happened in the United States, if we had sold our gold right after the war to the rest of the world and held francs and lire and pounds. We would have come out, even with the revaluations, now holding \$20 billion worth of assets and could have met all of our deficits out of the interest.

Mr. MACHLUP. In other words, to get rid of gold is the best business.

Senator MILLER. You made a comment which indicated that we ought to have, as a target, the management of our economy so that we would have inflation of $1\frac{1}{2}$ to 2 percent a year, I believe.

Mr. BEHRMAN. Yes, sir. I picked that figure simply because that would put us below the rate of inflation of the European countries and that is the comparative level that is important internationally.

Senator MILLER. You are thinking in terms of the balance-of-payments deficit proper when you make that statement?

Mr. BEHRMAN. Yes, sir.