

TABLE 24.—*Comparative price indexes, 1953-60*

[Monthly averages, 1953=100]

Country	Consumer price indexes		Wholesale price indexes	
	1957	1960	1957	1960
United States.....	105	110	107	108
United Kingdom.....	116	121	111	113
Canada.....	106	110	103	105
Germany.....	107	114	105	106
France.....	106	134	108	129
Belgium.....	107	110	106	103
Netherlands.....	115	122	107	104
Italy.....	113	121	103	99
Norway.....	112	121	113	111
Sweden.....	113	124	110	110
Switzerland.....	105	108	105	101

Source: OEEC Statistical Bulletin.

The monetary gold stock of the United States appears to be ample. In 1958, the gold stock of the United States equaled 4.7 percent of the country's gross national product. In the United Kingdom it equaled 4.8 percent, in West Germany 5 percent, and in Italy 4.1 percent. Switzerland had the highest holdings, relative to gross national product, with over 25 percent. The Netherlands and Belgium each had about 11 percent.

Of the present U.S. monetary gold stock of \$18.7 billion, about \$12 billion constitutes the 25-percent gold reserve against Federal Reserve notes outstanding and deposits at Federal Reserve Banks, as required by the Gold Reserve Act of 1945. The remaining \$6.7 billion represents "free gold," or gold that can be used for settling international balances without impairing the legal reserve requirement.

It has been suggested that the United States reduce its 25-percent legal gold reserve requirement, or eliminate it altogether, since Federal Reserve notes and deposits are no longer legally convertible into gold. Any move in this direction could best be done at a time when confidence in the dollar is high, since the psychological effect of doing it when talk of devaluation is in the air could be unfortunate. Economically speaking, there appears to be little reason for maintaining the legal gold reserve requirement as long as currency and deposits are not convertible into gold.

Is there a "gold shortage"?

The world's stock of gold constitutes a huge reservoir into which there is a trickle of new gold production each year. Losses are light because gold is a highly durable metal. The quantity of gold that is available, relative to the need for it as circulating money, usually falls short of meeting the demand for it since its supply does not increase as trade and population expand. A cry for "easy money" is heard whenever commodity prices turn downward.

If it were not for the expansion of credit increasing industrial production throughout the world would cause commodity prices to fall. Such a phenomenon has been prevented by the use of bank credit and other money substitutes. The central banks of Europe and the Federal Reserve System of the United States have made it possible for relatively small quantities of gold to support large credit structures.