

the requirement were reduced or abandoned, there would be a substantial addition to the approximately \$6.7 billion of "free gold" now available for the settlement of international balances.

Most countries have given up the minimum gold reserve requirement for their central banks. In Europe, the only countries retaining a provision that central banks maintain a minimum gold reserve are Belgium and Switzerland.

Little concern was manifested, either in the United States or abroad, when Congress reduced the reserve requirement from 40 percent against Federal Reserve notes and 35 percent against deposit liabilities to 25 percent against both in the Gold Reserve Act of 1945. Further action would best be taken at a time when confidence in the dollar is unquestioned. Action taken at a time when there is serious concern over the dollar might have unfortunate psychological effects.

(5) *International pooling of gold reserves.*—The centralization of gold reserves on a national basis, which the establishment of the Federal Reserve System in 1914 made possible, did much to allay fears of financial panic and was a vast improvement over the old national banking system.

What applies within a country could also apply internationally if the political means for effecting it could be found. It has been suggested that the countries of the Atlantic Community—particularly the United States, Canada, and the United Kingdom—pool their gold reserves by forming an Atlantic Community Reserve Bank. As an alternative, the authority of the International Monetary Fund could be expanded to enable it to perform this function.¹

Economically, such a solution to the problem of "international liquidity" would be logical. The difficulties are essentially political and involve questions of national sovereignty as related to money.

The substitution, wherever feasible, of payments "in kind" for unilateral dollar transfers

Since what is of concern is the excess of international dollar payments over receipts, a logical solution would be to try to substitute nondollar payments for dollar payments wherever possible. The present excess of payments over receipts does not signify any economic or financial incapacity within the United States. The close to \$5 billion that is being paid abroad currently to maintain our overseas Military Establishment and for nonmilitary foreign aid exerts no unbearable strain on the country's domestic economy.

It would seem logical to substitute payments "in kind" for dollar payments to cover part of the cost of maintaining our troops and military installations abroad. It might even be feasible to persuade American overseas military personnel to accept part of their compensation, including a small premium, in the form of savings certificates that could be spent only in the United States.

No one seems to know exactly how much of the \$1.6 billion of nonmilitary grant aid is in the form of dollars. Offshore procurement, which accounted for \$500 million in fiscal 1959, clearly necessitates the use of dollars. Even some of the aid that is given in the form of surplus agricultural commodities involves dollars. The best available estimates indicate that approximately one-half of the \$1.6 billion involves the transfer of dollars. It seems reasonable to suppose that

¹ Proposals along this line have been made by Prof. Robert Triffin, of Yale University.