Senator SPARKMAN. Now, Mr. Niehans, you and Mr. Lolli both made this gold certificate proposal and I believe Mr. Day gave his approval to it, also. Would there have to be a limit on the amount issued? Would there have to be a limitation put on?

Mr. LOLLI. The limitation is only the amount of foreign holdings in existence.

Senator SPARKMAN. There would be no limitation. It would be whatever was required?

Mr. LOLLI. Exactly. I would not even limit the offer of the certificates only to official foreign holdings, but would extend it also to private foreign holdings. I suggest that at the moment they were offered, probably not many would be taken. But the very fact that they were offered would give the foreign holders of dollars confidence in the dollar and they would not probably take them, because according to my scheme, they would not carry any interest.

Probably people would prefer to keep their dollars invested in some way where they can earn some interest rather than to have some certificates which do not carry any interest. It would only be an offer that would create confidence and dispel the fears.

If I may quote from the last issue of The Economist—I don't know if you gentlemen have seen it. There is a very interesting article which appeared in the August 4 issue, "Reappraisal for the Dollar." It asks [p. 458].

> How else can one persuade monetary authorities to hold each other's currencies when there is a genuine fear of their depreciation? Is it desirable that, let alone feasible, to rely on good neighborliness and all kinds of semipolitical pressures as permanent features of a world currency system? Must the French Finance Minister always have to undergo a barrage of questions at Idlewild about a minor conversion of dollars held by the French into gold? Must the German Bundesbank always have to wrestle with its conscience in reconciling help for the dollar with its duty to the Federal Republic? The granting of gold value guarantees, guarantees, that is, to secure that any depreciation in the gold value of currency balances held by central banks would be made good—should immediately transform the relative attractiveness of gold and currencies.

In other words, once the offer was made, people would not take advantage of it.

Senator SPARKMAN. I may say personally I am intrigued by the idea, although it seems to me a little strange that the guarantee should be required after such strong representations have been made by our Government.

The President has, on more than one occasion, made very strong assurance that we would not raise the price of gold and that our dollar would not be devalued. I am not certain whether he has the power of devaluation without legislation. I don't believe he does. Certainly there is no move, and has been no move in Congress toward devaluing the dollar.

In other words, every action that has been taken by this Government, every expression by this Government, both the legislative and the executive, has been to negate the idea of devaluing the dollar. I just wonder if there is any way that assurance can be given, even by the use of the gold certificates.

Mr. LOLLI. Senator, everybody in Europe is sure that the President is in good faith, the administration is in good faith, there is absolutely no intention on the part of the United States to increase the