value of gold. But on the other hand, the gold reserves of the United States have reached a low limit, not too far from what is the minimum established by legislation to cover the circulation. At a certain moment, the U.S. Treasury could say, from now on we are not going to sell gold anymore and this, without increasing the price of gold.

We stop selling gold. That would be absolutely equivalent to an increase in the price of gold because at that time you would see the London gold go probably to $60, $70, or $100 per ounce. So it doesn't require an act of Congress to increase the price of gold, in fact.

Senator SPARKMAN. As long as we have the commitments outstanding against our gold supply, I don't see how the Treasurer of the United States could say that we would not supply any more gold. You mention this pressure on our gold being known by the people overseas. Isn't the fact that we also have an abnormally high reserve requirement known? In fact, I believe you mentioned that in your paper.

Mr. LOLLI. Excuse me, Senator. At present the short-time liabilities of the United States toward foreign countries amount to $16 or $18 billion. The reserves of the United States in gold are $16 billion. So, more or less they are equivalent. At present the deposits of foreign banks in dollars are not exchanged into gold because of more or less a gentlemen's agreement, I would say, among central banks not to do it.

In this situation, one cannot rely, forever, on gentlemen's agreements. So, at a certain moment the United States might be compelled, against their wish, to stop selling gold, and if this should happen you can realize how difficult it would be for the foreign banks to carry out their gentlemen's understanding if they thought they saw this coming.

Senator SPARKMAN. Isn't the International Monetary Fund available in such cases?

Mr. LOLLI. Yes, up to, I don't know how much for the United States, $5 or $6 billion.

Senator SPARKMAN. I could go on. I am grateful to all of you gentlemen for very able presentations.

My time is up.

Representative REUSS. Mrs. Griffiths?

Representative GRIFFITHS. Thank you very much, Mr. Chairman. I, too, would like to thank each of you for your appearance here and tell you how much I have enjoyed your papers.

I would like to ask Professor Day—you point out that you feel that a tax cut would be a desirable thing for American economy and you point out the British experience. Would you explain in more detail the British experience. Is it a direct or indirect tax cut? Who gets the cut, how much is given, and what is the effect upon GNP?

Mr. DAY. We have had many different tax changes both upward and downward since the war. The general tendency has been downward, but on occasions we have had increases.

The changes have been both in direct and indirect taxation. The trend has been more sharply downward, I should think, in direct taxation than in indirect.

The effects have normally been remarkably rapid. It is difficult to do precise statistical work on this, but there is little doubt that the