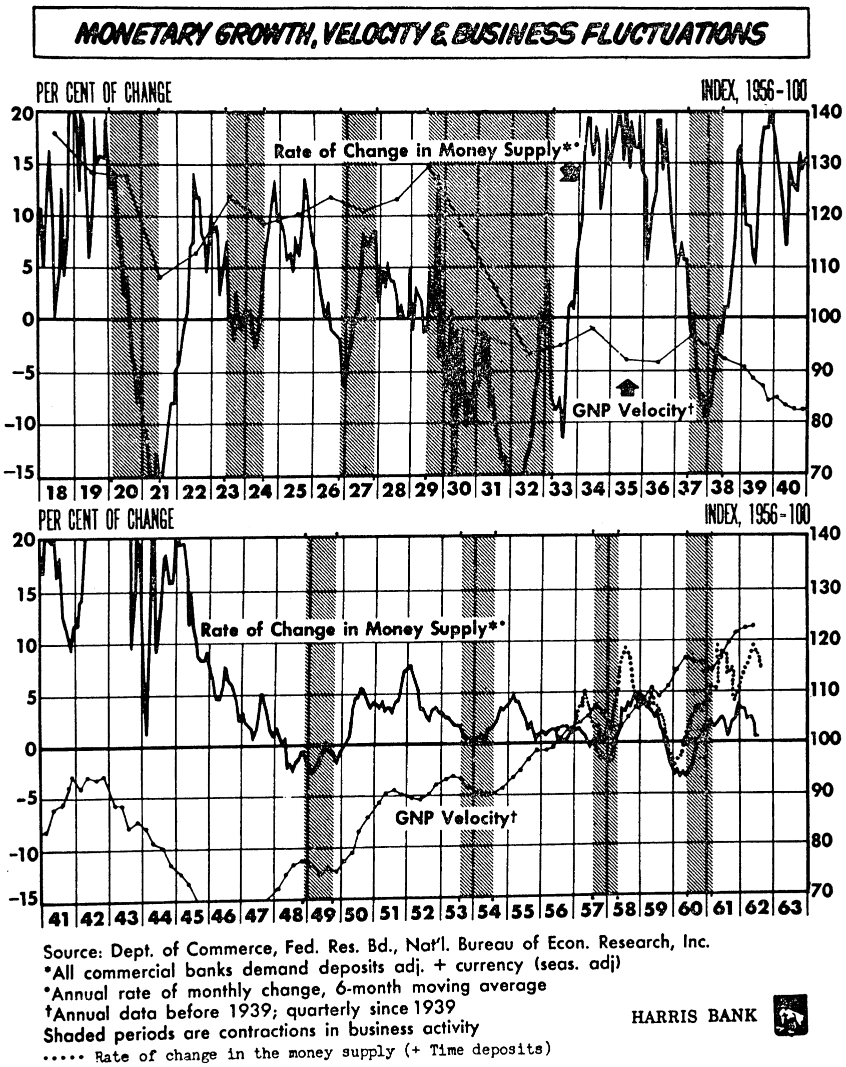


Mr. SPRINKEL. As indicated on the preceding chart, severe monetary contraction occurred during that period. Higher interest rates were successful in halting the gold exodus, but the resulting monetary contraction was responsible in the opinion of many observers, including the author, for substantially deepening and prolonging the great depression. Officially imposed higher interest rates at the present time would run the serious possibility of repeating the 1931 experience.

Fortunately, various measures taken in recent years plus rising costs and prices abroad are resulting in some current improvement in our balance of payments. If the deficit nonetheless persists, there are only five courses of action open to U.S. Government officials: (1) Using reserves to "buy" more time by permitting more gold to flow out and