

matically extended to all these balances but only, if at all, to those dollar balances for which conversion into gold is requested (therefore only through the central banks). Finally, it differs from the Stamp proposal which considers the issuance by the Fund of gold certificates, since the latter create new international liquidity, whereas the gold certificates originating from the gold certificate proposal would leave the total liquidity unchanged. *This proposal has the only scope of taking away the psychological pressure from the dollar.* It does not alter in any way the existing situation and does not cause any of the inconveniences claimed in the first hasty criticisms against it. It is an expedient to permit what is practically equivalent to a conversion into gold of dollar balances held abroad, even for amounts in excess of the gold available.

The essential characteristics of the gold certificates issued according to the proposal are the following:

(a) The certificates do not bear interest and are, namely, in all respects comparable to gold ingots;

(b) The issuance of the certificates sterilizes an equal amount of dollars. This is an essential condition like the first one. The dollars collected against the gold certificates should not remain at the disposal of the U.S. Treasury, but should be put out of circulation.

In order to better exemplify our idea, we report below in its essential parts the wording that should appear on the certificates:

"The Treasury of the United States, at its option, will pay at sight to the bearer of this certificate 1,000 ounces of gold or its equivalent in dollars at the time of its presentation."

The certificate represents a quantity of gold, but it is payable *either* in gold *or else* in its dollar equivalent. It is true that the gold represented by the certificate may not exist in the deposits of Fort Knox but, for practical purposes, this has no importance. Nobody in fact takes materially away the gold from Fort Knox. At the moment when a country should need to make use of its gold reserves, and therefore request from the United States the payment of its gold certificates, it would be exactly the same to obtain gold or dollars at the rate current at that time.

Provided that the dollars against which the gold certificates are issued, are immediately put out of circulation, such a practice would not change anything in quality or in quantity compared to the present international monetary system; it would have instead the beneficial effect of eliminating once and for all and in a definite way any doubt about the dollar as a reserve currency. And, once this doubt is eliminated, any pressure on the dollar would automatically disappear, along with all the motives or pretexts which now lead some people to sustain the necessity of its devaluation. This would naturally not prevent the U.S. Government from continuing with its present policy meant to reequilibrate its balance of payments.

The criticisms made against the proposal appear to a great extent inconsistent. The criticisms by Mr. Dillon and Mr. Hayes can be briefly summarized in the following points:

(a) The step is not necessary since the Government is determined not to devalue the dollar;

(b) One would create the impression that the United States does not desire to reequilibrate its balance of payments;

(c) An incentive would be given to the flight of American dollars abroad in search of the guarantee;

(d) The international monetary market would be upset because the holders of other currencies would be inclined to change them into dollars.

It is appropriate, first of all, to clarify that the proposal *is not an exchange guarantee extended* to the dollar holdings of all foreigners, but rather the conversion of dollars into gold certificates, on demand, probably limited to those coming from central banks. Nothing more, namely, than what is being done at the present time when the dollars of the foreign central banks are converted into gold; with the only difference that, with the introduction of the clause "the U.S. Government will pay * * * gold or the current equivalent in dollars," the issuance of the certificates does not automatically cause a reduction of the American gold stocks.

Having stated the above, the criticisms can be examined separately.

(a) It is said that the step is not necessary because the U.S. Government has no intention of devaluing. Actually it is the very assumption that one wants to maintain unchanged the parity of the dollar which makes this step all the more