

because all of it will have the backing of the total resources of the 10 major nations as well as every other nation participating in its use.

The reason for creation of some new reserve asset is simple: There is a growing shortage of gold and dollars necessary to settle the trading balances among nations.

What is not so well understood is the mechanics of the new proposal. But this is not surprising: Nobody has tried to create money on this scale in the history of the world and many technical questions aren't yet settled.

Such a plan is crucial to the United States because for several years more dollars have been leaving the country in trade, aid and military and tourist spending than have been returning in expenditures by foreigners in the United States. In other words, the United States has a balance-of-payments deficit.

This means that many nations have built up huge reserves of U.S. dollars, which the United States is committed to redeem for gold upon demand. Thus, these claims.

In recent years however, the U.S. Gold supply had dwindled consistently as foreign central banks have sought to redeem their American dollar reserves for gold. The U.S. gold reserve stood at \$26 billion at the end of World War II, but it has been cut in half since then. During July alone it dropped another \$33,000,000 to \$13,136,000,000.

In an effort to cope with its balance-of-payments deficit, the United States has sought to slow its flow of dollars into the world economy. The result has been a reduction in Free World reserves, which are composed predominantly of U.S. dollars, as well as gold and other convertible currencies. At the