it was the demand for rupee holdings that declined. If the Indian authorities stayed out of the picture, the rupees may have been offered at a price attractive enough for some people to buy them with dollars or other currencies, either to make purchases in India or even to hold the rupees temporarily for speculative reasons. The central banks supplying the gold might find their note circulation or demand deposits reduced or their dollar holdings increased. And eventually they would return such dollars to New York for gold. Thus, at least in part, the Indians' gold hoarding would have encroached on American gold stocks.

If enough statistical information were at hand, we could establish to what extent major scrambles for gold were associated with reductions in private foreign holdings of dollars. It would be important to know whether the tidal wave of private gold purchases in December 1967, which took $900 million from the American gold stocks within four weeks, left private foreign dollar holdings more or less unchanged or reduced by a similar amount. There had been earlier gold rushes, besides the gradual increases in private hoards. Thus, in 1960 additions to private gold stocks jumped by $311 million, or 68 per cent of the 1959 purchases, and in 1965, by $449 million, or 67 per cent of the 1964 purchases.[7] But we do not know whether private dollar holdings in those years reflected any "movements out of dollars."

One conclusion of these reflections is that, under the old gold-pool arrangements, private gold purchases could encroach upon the gold reserves of the United States even if the purchases were made by foreigners not holding dollars but using their own currencies to pay for the gold. Regardless of whether the gold rushes between December 1967 and March 1968 were associated with reductions in the demand for dollar balances or were financed with other currencies, the depletion of American gold holdings was too rapid for the authorities to stand by inactively. More than $2.4 billion worth

[7]These large jumps clearly refute the hypothesis, advanced by official and unofficial experts, that the increase in private purchases of gold is a nonspeculative, "structural" development. Nothing but speculation can explain the sudden leaps in 1960, 1965, and 1967.