The most strongly advocated recommendation is to increase the official price of gold to take account of the expected relative scarcities.[9] A sharp increase in the official dollar price of gold could restore confidence in the devalued dollar for a few years, but only at a very high cost. One of the noneconomic cost factors would be the humiliation of the nation which, breaching the solemn promises of its three last presidents — Eisenhower, Kennedy, and Johnson — would "cheat" its best friends (who have believed the assurances and continued to hold dollars) and reward those who have been least friendly. The economic cost would mainly come from the world inflation induced by the monetization of gold profits. For even if the official profits from a revaluation of gold were to be safely sterilized, the profits of private hoarders and speculators would be monetized, their sales creating new bank reserves and new cash — perhaps to the tune of some twenty billion dollars — with no chance for any monetary policies that could offset this outpouring of new money. The point is that speculators in the last eight or ten years have purchased between $10 billion and $15 billion worth of gold at $35 an ounce and are waiting for the price to be increased. If the price were doubled, their treasure would be worth at least $20 billion (to use the lower estimate) and this would be the amount of national currencies which central banks would have to create in payment for the dishoarded gold. The reserves of commercial banks would rise

[9] The expectations of speculators are based on the assumption that the monetary gold stocks will never be released. If speculators realized that these reserves could eventually be employed as a "buffer stock" to fill gaps between production and private demand, they would sell gold, rather than buy. A sober estimate looks like this: industrial and artistic uses of gold absorbed about $500 million worth in 1967, and purchases by traditional hoarders about the same amount. Production (not counting the output in communist countries) was roughly $1,500 million, the surplus of $500 million being bought by speculators. If this surplus were purchased neither by speculators nor by monetary authorities, the resulting glut would depress the market price far below the present level. One may reckon, however, that purchases by industrial and artistic users and by traditional hoarders will increase from year to year, and production will fall, so that the excess supply may vanish and eventually give way to an excess demand. Still, since the present stocks held by speculators plus the buffer stocks of the authorities are at least $55 billion, they could cover 55 years of the present private use, even if production fell to zero!