

by the same amount and would create additional lending power of some \$100 billion, a truly frightening inflationary potential. The inconsistency of the gold-price boosters is amazing: they praise the gold standard for its alleged disciplinary anti-inflationary effects, but are willing to subject the world to a huge inflation in the process of restoring gold to its long-lost importance in the monetary system.

Besides these two recipes — one to make the dollar scarcer by deflationary policies, the other to make gold more abundant by doubling its price — several other proposals have been made, mainly for schemes to prevent official switching from dollars to gold. Three approaches can be distinguished: (1) “locking in” the dollars in the official reserves of the nations under so-called harmonization agreements, (2) taking out the dollars from official reserves by having them turned in to an international conversion account in exchange for deposits that are generally recognized as reserves, and (3) terminating both the convertibility of official dollar holdings into gold and the convertibility of gold into dollars. All these approaches would face strong political resistance, but this is true for every measure that might do the job.

Restoring Confidence: Locking-In and Pooling Agreements

Harmonization agreements would bind countries to hold a minimum ratio of their total reserves in the form of dollar assets. Alternatively, since a fixed ratio would imply annual increases in official dollar holdings (which may be unacceptable to some countries), the minimum holdings could be stipulated in absolute amounts. As a consideration for the promise to hold the balances, an exchange-value or gold-value guarantee may have to be given for official holdings. Such an agreement, unless it included additional provisions, would fail to guard against massive sales of dollars to central banks in the case of private asset switching (dollars into gold or into other currencies) and in the case of continuing deficits in the payments balance of the United States. Moreover, the scheme fails to provide for the possibility of a continuing excess demand for gold by processors, hoarders, and speculators. One way of dealing with this problem is the separation of official transactions at an