because we operate big smelting firms on the continent that sell gold to jewelers in jewelers bars." And they said their estimate is that industry absorbed close to $1,100 million a year in newly mined gold in 1966–67.

Furthermore, they said: "It is not merely our experience. The same figures, the same estimates, will come to you if you ask the smelters in Germany and Italy who provide gold to jewelers." I am not going to argue whether they are right or wrong about the present consumption of gold but what I am going to say is this: In a world in which money incomes are rising at 5 percent or more a year in dollar equivalent, in a world in which prices of precious metals are rising, it is my opinion that the private demand for gold at $35 an ounce will rise steadily and will certainly exceed the production we can expect.

Chairman REUSS. Mr. Bernstein, if I could just interrupt you at that point.

Mr. BERNSTEIN. Yes.

Chairman REUSS. There seems to be a feeling on the part of central bankers that if the private price of gold gets too high, heaven knows where that is, $50, $60 an ounce, wherever it is, the temptation on the part of central banks to cheat will be irresistible, that they will want to get in and make a profit. Therefore, it is felt by some, including myself, that the removal of monetary gold demand from the demand side of the gold equation is a benevolent thing and will keep the price of gold from going as high as it otherwise would if there were a monetary demand. Therefore, it isn't a very good idea to backtrack on the March 17 Washington Agreement which, by and large, signaled the speculators of the world and the hoarders and the legitimate gold users—everybody—that the demand of the authorities for monetary gold could no longer be counted on as an ingredient in the total demand. Irrespective of who is right on how much industrial demand there is and how much demand by jewelers, and I can't make a guess at that, isn't it true that we are a little safer if we keep monetary demand out of the picture?

Mr. BERNSTEIN. I am in favor of the March 17 statement, in favor of the statements issued by the International Monetary Fund on two occasions, which is that central banks shall not deal in premium markets at all.

I think the two-tier system can work very well. I have discussed this in the paper I submit for the record on the Gold Crisis and the New Gold Standard. We had a premium price for gold in private markets as late as 1953, before the London market was opened, and as high as $50 an ounce at one time. It dropped down to close to $35 an ounce before the London market was opened.

(The following material was submitted by Mr. Bernstein:)