a year. Nor do I expect the gold price to fall when South Africa starts marketing its gold, as it will have to.

The sophisticated speculators know that the overhang of gold has merely shifted from them to South Africa. If they thought the sale by South Africa would bring the price down, the sophisticated ones would have been out of the market by now.

Of course, some may have gone out. As I indicated, I think that private speculative holdings may have dropped by about $400 million so far this year, matched by the increase in the holdings of South Africa which will have to be sold at some stage. If the speculators thought that at some time South Africa's sale would bring this price way down you could be sure they would be out by now. They don't buy gold without an eye to what the price of gold will be.

My own feeling is that we are really in a period of stability within the present range of the private price of gold, somewhere between $37 and $42 an ounce.

The only thing that could raise the price above $42 an ounce in the next 5 years is a continued fear about the future of the dollar. I think that if our balance of payments gets better, if the SDR's are activated, if the reserve settlement account especially is set up, the price could go down. I think the chances of the price going below $37 are slim but there is a chance. I wouldn't rule it out.

On the other hand, I know of nothing except a complete loss of confidence in the dollar that is going to bring the price of gold in private markets in the next 2 years above this $42 price. But if you think of the long run, then I am afraid we are going to have a slow but steady rise in the price of gold simply because incomes will keep rising, the price of gold will continue to look cheap relative to other metals, and it does seem to me that even the hoarding demand will go up rather than down with silver being displaced by gold in India and other places. I don't have this great confidence that the price of gold would fall to $30 an ounce.

I will tell you a little incident. In January 1967 the Chamber of Mines of South Africa financed a conference of economists in Bologna, sponsored by the Johns Hopkins University.

I took part in this conference with a number of American and foreign economists. Triffin was there and Milton Gilbert of the BIS. Milton Gilbert and I had a little discussion, this was in January 1967, on what we thought the price of gold would be then on the assumption that the central banks stopped buying gold but didn't sell gold. If the central banks decide to dishoard their gold as they dishoarded silver, say, in the 1870's, there is no telling what would happen. But on the assumption that all of the new production would have been absorbed by private demand, Milton Gilbert thought at that time that the price might settle at about $30 an ounce.

My feeling is that in the meantime we have learned more about the private demand for gold. It is much greater than I had thought then. And while I haven't changed my mind about the slow but continued growth of output of gold, despite what the South Africans said at this meeting, I am of the opinion that private demand will outrun supply at $35 an ounce. That is why I believe that the price is not likely to go below $37.