cedure, because Senator Miller, unfortunately, has to leave, and he asked for 5 minutes to ask questions now and then; he is going to have to depart for a meeting of the Armed Services Committee which he has to attend. So, we will get to the other three presentations immediately after Senator Miller finishes.

Senator MILLER. I thank my chairman for his usual deference. I do want to apologize to the other members of the panel for not being able to be here for their presentations. But I assure them I will read their papers very carefully.

Mr. Saulnier, I hope you don't mind my asking one question.

Mr. SAULNIER. Not at all.

Senator MILLER. I am concerned about this advocacy to remove the gold reserve requirement. I asked Secretary Fowler, the other day, what would happen if we did it. I understand that we might well run out of our free gold. But, when we get to a vote on this—and we may do so fairly soon in the Senate—Members of the Senate are going to have to ask themselves a question: Suppose I vote for this, suppose I vote against it. If I vote against it, what will be the results?

The Treasury, I do not believe, has yet furnished us a full reply to that question. I did have a chance to look briefly at your comment on this, and I notice that you say it would only be a matter of time before awkward arrangements caused by failure to suspend the requirement might collapse. But, it would amount to running out of free gold, and then saying to dollar holders overseas, "We are sorry, but we are not paying out any more gold at this time."

Now, what would be the impact of that? Have you thought through that possibility? Because we are going to have to do that in the Senate when we get to a rollcall vote on this.

There are some, you know, who think that maybe the results would be worse the other way—because, if the gold cover is repealed, then we end up with sort of a managed paper currency.

Mr. SAULNIER. Senator Miller, failure to lift this requirement would be a very unfortunate signal for us to be giving to the rest of the world at this time, and I think it would increase the likelihood of a gold drain.

I understand perfectly well that it is possible for the Federal Reserve System itself to suspend this requirement, and for a time one could get along with that I have described here as rather awkward arrangements—but the question is, How long would this condition be likely to prevail?

My guess is, not very long.

At a fairly early date, the Federal Reserve System would find itself in the position of having to post, really, very inappropriate discount rates, or else to adopt tactics of avoidance which would be quite unbecoming for the System and for our country.

I don't think anybody here or abroad would regard this as anything but a completely nonviable situation, and through a gold drain, we would quickly be brought to the point where the dollar would be inconvertible, not necessarily because we had run out of gold, down to the very bottom of the barrel, but because we had run down to that amount of gold beyond which losses would be regarded as inimical to the national interest.