

At that point, Senator, the dollar would be inconvertible, and the gold bullion exchange standard would be finished.

Obviously, this is not the way to move into a reform of the international monetary system. It would seem to me a most awkward and dangerous way to move into that reform.

I believe we ought to be working for reform now on an entirely different basis.

Senator MILLER. And what would happen if we reached the point where the dollar was not convertible to gold, because we had run down to the limit of our free gold? That is what I am getting at. What happens then? I mean, what is the disaster? Some people forecast that if we remove the gold cover, we turn ourselves into a managed paper currency; that we are going to have runaway inflation, and that is a disaster.

Well, what is the disaster facing us, if there is a disaster, if we do reach that point? That's what I'm seeking.

Mr. SAULNIER. The developments could very well go something like this—and here, Senator, I would like to make it quite clear that I am not forecasting anything; I am offering an answer to a hypothetical question. And my answer is this:

If the dollar should become no longer convertible into gold for foreign governments and central banks, as it is today, then some steps would have to be taken to stabilize exchange rates of the various major countries of the world.

I do not myself believe that we could simply allow exchange rates in these troubled times to find their own level. It is hard for me to believe that a responsible government would do that.

So, some kind of ad hoc arrangement would have to be devised to give a reasonable degree of stability to exchange rates.

Now, that arrangement might last for a considerable period of time, but my guess is—and here I am pursuing to another stage my answer to the hypothetical question—that some more formal arrangements would be desired. I mean by that, Senator, some more formal international monetary system.

The next question that the experts and the political figures involved would face would be this: Is gold to play a role in the new system? Now, I do not know what the answer to that would be; conceivably it could be "No." In that case we would move into some kind of a paper-gold system. As has been said, almost anybody could define such a system on the back of an envelope, and a lot of people have. We could do this.

On the other hand, a paper-gold system requires such a high degree of international collaboration, and such a high degree of mutual confidence among nations, confidence that each will conduct its domestic affairs in a reasonable manner, that many people doubt we are prepared at this time to go on to a paper-gold type of system.

Now, if we don't, we will go to a gold system. And, if we go on to a system which incorporates gold, we are going to find, very quickly, that there is not enough gold, and there will be an increase in the price of gold. This will ultimately have rather serious inflationary implications for the world, because the people who have got gold now—and I am not talking about central banks or government, I am talking about private holdings, will have an asset valued at an