

of this gold reserve requirement. I recommended this strongly to Secretary Anderson when I was his adviser in the Republican period. There is no use in it and no role at all in a modern monetary system. Now, from the standpoint of the gold-standard theorist or the person of more old fashion or a conservative bent, this is heresy. But our gold really has only one usefulness and this is to defend the international value of the dollar. We shouldn't have it tied up for a so-called domestic reserve requirement which doesn't help anybody anywhere under any circumstance in the United States.

We are the only big power that does it. We loaded ourselves, because we didn't take action in time of strength, when we had a big margin of safety, with a legal limit which is a danger line which everybody is watching all over the world. We have subjected ourselves to the great danger of a run on the dollar at some point, some interminable point, because if foreign holders of dollar liabilities decide that we are getting too close to the line they are going to get their gold while they can.

I think this is a major flaw in our old monetary equipment which ought to have been corrected, but, unfortunately, we are dealing here with symbolisms, with superstitions, with passionate feelings, and it just doesn't seem to be possible to get rid of them.

QUESTION: Doctor, is there any discernible relationship between our balance of payments deficit and our rate of unemployment and our rate of economic growth?

DR. SOUTHARD: Yes, there is a relationship, I guess, but it's a