Everett McKinley Dirksen  
Minority Leader  
Illinois

United States Senate

February 2, 1968

Dear:

The President has requested that the Congress repeal the law that requires that gold be held as backing for our currency. The statute now requires each Federal Reserve Bank to maintain reserves in gold certificates of not less than 25 per cent of its Federal Reserve Notes in circulation.

The reason for this request is that our gold supply is now below $12 billion. When the supply for reserve requirements is deducted, we have left only $1.4 billion to redeem dollars held by foreign banks. We are committed to redeem these dollars for gold at the rate of $35 for one ounce of gold. There are over 30 billion of these dollars that could be turned in for gold. If we cannot redeem them we will be forced into devaluation.

This situation came about as a result of excessive fiscal and monetary policies of our government. Or if you will, we have spent and given away too much money and printed too many dollars.

Sincerely,

Everett McKinley Dirksen
March 1, 1968

Dear:

On February 20 the House passed H. R. 14743, a bill to eliminate the reserve requirements of Federal Reserve notes and for U. S. notes and Treasury notes of 1890.

Let me try to explain why this legislation has been requested. Our country has committed itself to redeem dollars held by foreign governments for gold. We agreed to give one ounce of gold for every thirty-five dollars that they hold whenever they request us to do so. In this way the dollar became an international currency and was used to settle accounts between nations rather than settling them by exchanges of gold.

This system worked well so long as we had plenty of gold and there were few dollars held abroad. But now as a result of our Government spending, lending and giving dollars abroad there are over $30 billion being held abroad all of which we are committed to redeem for gold. We have about $11.5 billion in free gold to honor this $30 billion debt.

If we remove the gold backing requirement, we will have a total of a little more than $12 billion available. If we remove the gold backing and put our financial house in order, and by this I mean reducing spending here and abroad and a return to a sound money policy, I do not believe there will be a great demand for gold. This is a most necessary step if we are to protect our dollar. If we do not, there will be a run on our gold just as you have a run on a bank.

Sincerely,

Everett McKinley Dirksen
March 22, 1968

Dear:

The United States no longer provides gold to meet the demands of the foreign speculators. That practice was stopped last week, not however, before we suffered a severe outflow of gold.

Two steps have been taken in recent days in an effort to bring some stability into this area. First, legislation has been approved that makes our entire gold supply available to defend the dollar against further attack from abroad. Secondly, the procedures of the "gold pool", composed of six nations has been changed. Under the new agreement, the United States will not make gold available to a foreign central bank if that bank makes gold available to speculators. By this step, gold will, in substance, be used as was initially intended, to settle accounts between nations. We must now proceed to bring our own fiscal and monetary policies into line so that we no longer have a chronic deficit in our balance of payments. By doing so, the threat to the dollar will end.

Sincerely,

Everett McKinley Dirksen