

Chairman PATMAN. Thank you.

Senator Douglas?

Senator DOUGLAS. I want to pursue this question of whether it is necessary to increase interest rates in order to protect our gold supply. I think we brought out in previous questioning that the U.S. 3-month bill rate is about nine-tenths of 1 percent higher than the Swiss rate. The Swiss rate has remained steady for a long time. So difference in the interest rate in itself has thus not led to any major movement of funds from the United States to Switzerland. That is true, is it not?

Dr. HELLER. That is right.

Senator DOUGLAS. So far as the Dutch are concerned, the Dutch rate has fallen slightly in the last 2 months—the figure was 2.32 percent for June as compared to an American figure for June of 2.72 roughly. So they were four-tenths of 1 percent underneath the American rate. The West German rate for July was 2.38. The American rate for July was about 2.92. So you have an American rate which was almost six-tenths of 1 percent higher than the German rate. As far as interest rates are concerned, the American rate was thus already higher than in Netherlands and Germany. It was not necessary therefore to raise the American rate still more. The three remaining countries in the Federal Reserve table are France, Canada, and the United Kingdom. I don't have figures for France more recent than April—then it was 3.91.

Let us grant for the moment that the French rate is above the American rate. It is doubtful if there is important movement here as France does not have huge amounts on deposit in this country. So we come down to Canada and the United Kingdom.

Mr. Johnson has prepared some charts that I think are noteworthy. The upper chart (p. 183) shows the comparison of Treasury bill rates. You will notice that the British rate came down very markedly in the past year. The New York rate was rising at the very time that the London rate was falling. There would thus not be any increased strain in this case upon our currency, since the differential between those two actually fell substantially during this time. But to get at the real costs of converting dollars into pounds one must consider also the arbitrage trend. If you add the arbitrage, with forward exchange cover, to the New York rate you will see that, while the differences in favor of London and in favor of New York are small and vary from time to time, at other times recently the London rate is only one-sixth of the 1 percent or less in preference of London over the New York dollar. I think it has been testified that where the difference in net rates is less than one-quarter of 1 percent interest rate considerations do not enter. So if you allow for rates with forward arbitrage cover, there is really no material difference between London and New York.

Then we come to Canada. Here there is a difference in Canada because Canada has been facing a financial crisis. Their short-time rate has shot up very sharply. They are recently up to 5½ percent or more.

Chairman PATMAN. Would you like to add those charts to the record?

Senator DOUGLAS. Yes, I would.

Chairman PATMAN. Without objection, it is so ordered.

(The data referred to follow:)