Representative REUSS. Gold doesn't flow until the central banks of these countries demand it. Are they likely to demand it because temporary short-term money has come their way because of the higher interest rates? I shouldn't think this is necessarily the case.

Mr. HAGEDORN. The foreign central banks are in the same position as a depositor is in the domestic bank, when they look at each other and wonder which one is going to start a run on the bank. This would have been true before the changes in our own banking system in the past 30 years.

If, 50 years ago you had a town where the people were all doubtful about the solvency of the local bank, each one of them would recognize, it is a bad thing for me as well as all the others if I start a run on the bank. We don't want to see that happen to our bank. But on the other hand, if it is going to happen, I better get there first.

The foreign central banks might reason in much that way.

Representative REUSS. Just as Federal deposit insurance to a degree has stopped the depositors of domestic banks from ganging up and starting a run on the bank, so some of us hope the recent $6 billion standby agreement of the International Monetary Fund will, in a modest way, constitute a step toward an international depositors insurance fund, and thus remove us from the mercy of foreign central bankers.

Mr. HAGEDORN. I don't agree that it would remove us.

Representative REUSS. Lessen the exposure.

Mr. HAGEDORN. It will protect us to a degree. Yes, Congressman, I would agree that you can't compute in any mechanical way the interest rates we must maintain in the light of all foreign interest rates.

Foreign interest rates are a complex of rates in different places and for different qualities of loans. I would certainly not be willing to agree that we could ignore that foreign complex of interest rates. That is what makes the Federal Reserve Board decision so difficult. It can't be done in any mechanical way. As Mr. Livingston said, if economics were an exact science we wouldn't have much to argue about here.

Representative REUSS. Thank you very much, Mr. Chairman.

Chairman PATMAN. Mrs. Griffiths?

Representative GRIFFITHS. Thank you very much, Mr. Chairman. I don't particularly have a question, and I don't want to testify, but I would like to address some remarks to Mr. Livingston and Mr. Ruttenberg.

I read a column of yours last week, I believe, Mr. Livingston, in which you questioned the matter of where a tax cut would be spent if you gave everybody $100. Just before I read it I had sent out a newsletter to my own constituents, about 30,000 of them, asking them where they would spend it. The answers that I have received are quite interesting.

One of the Detroit papers picked up the question and asked what each one would do if he got the $100 at one time. One woman had replied in what I thought was the most interesting of all the answers, "I would buy a cashmere coat, and I know where there is a sale on right now." She was then asked, do you have any preferences in the way you get the tax cut? She said, no, she didn't. Just as long as she got the $100 and the cashmere coat. One of the more knowledge-