

applying something of this sort to the American credit market, too. Some people's confidence, it is true, may be further disturbed by such a measure. Against this risk, however, must be held the great gain in confidence which can be expected from some temporary restriction of long-term capital outflows in times of strain.

In a widely publicized statement one of the directors of the Swiss National Bank recently remarked that if this kind of an arrangement had been in operation in the United States, we would today have a worldwide dollar shortage. It may well turn out that in the long run it would not only be compatible with free exchange but even its prerequisite.

At the moment the prospect of a forceful policy to restore confidence in the dollar seems to be good. The current balance of payment continues to show a considerable surplus. Prices and wages in Europe have risen fast and thus the American economy has gained in competitive strength.

Though I would refuse to predict it, I would not be surprised if in the months to come the tide could be turned in favor of the dollar. It may well be that the American troubles of today are the European problems of tomorrow.

Confidence in the dollar cannot be restored by words only. Certainly strong statements on the maintenance of the present dollar parity are more effective than weak statements. But the effect of even the strongest statement will fade away within a couple of weeks unless it is supported by forceful action.

If such action is taken, perhaps by combining the required credit restraint with certain fiscal concessions, there seems to be a fair chance that within a matter of months, thanks to restored confidence in the dollar, the United States can afford to give much more potent stimulus to domestic economic growth than if the present situation is permitted to drag.

Chairman PATMAN. Thank you, gentlemen. Your statements have been most constructive. It is interesting that Mr. Lolli and Professor Niehans, have both suggested a way of assuring confidence in the dollar and have both made the same suggestion; and Professor Day, I believe you also made essentially the same suggestion.

Mr. Lolli, your suggestion is that we issue a certificate to foreign central banks which would guarantee the gold content of the dollars they hold. In other words, as I understand it, you feel that notwithstanding the fact that the U.S. Government has no intention of devaluating the dollar, a lot of people in Europe feel that the dollar may be devalued anyway, and that is the source of the trouble.

Your suggestion is, I believe, that our Government issue to foreign central banks a certificate which would guarantee that if we do raise the price of gold the certificate would be redeemed at any time in new dollars, equivalent in value to the old dollars.

Then you feel that such certificates should be issued without interest. Professor Niehans' suggestion is the same but you feel, I believe, that such certificates might be issued to bear a small rate of interest. You mention also that this has already been done in one case where we made a contract with the Central Bank of Switzerland.

When was that?

Mr. NIEHANS. About 3 weeks ago.