sort we have mentioned to increase confidence in the dollar. I wouldn't like to say "restore," because I think confidence is a lot higher than people pretend.

Representative GRIFFITHS. Thank you very much. I would like to question the gentleman from Switzerland. I understand that our Secretary of the Treasury, at the conference in Rome, pointed out that one of the real reasons for our balance-of-payments problem was because of the heavy borrowing by European American markets.

Mr. NIEHANS. That is right.

Representative GRIFFITHS. This was not because of our interest rates, but because we have a better market. I see you touched on that. Do you agree or disagree?

Mr. NIEHANS. I agree that this is one of the problems.

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

Representative REUSS. Senator Proxmire.

Senator PROXMIRE. Professor Day, you, together with the other two distinguished gentlemen, are deeply concerned with our international balance-of-payment problem and with the confidence in the dollar. Uniformly, you three gentlemen advocate a tax cut. Professor Day, you advocate monetary stability with what I regard at a high level of interest rates. You advocate a series of measures to cope with the international balance-of-payments problem which are aside and apart from the fiscal and monetary policy. A further reduction of Government spending overseas. No. 2, remove the gold backing for our currency; No. 3, expand the currency swap; No. 4, a gold guarantee; No. 5, international reserve currency. This gold guarantee interests me very much, because as Senator Sparkman said, the President could not have been more emphatic that we are not going to devalue our dollar.

Suppose we advance the classification from a guarantee to a superguarantee or a superduper guarantee, and provide this kind of built-in protection against any possible devaluation for all obligations, would this be a practical possibility?

In other words, not limiting it to a certain amount of obligations, but all obligations held overseas. All dollars held abroad. In the event there should be a devaluation in the future, they will be fully compensated.

Mr. DAY. I think it should be extended to all short-term dollar liabilities of the United States. I see no reason for extending it to any long-term dollar liabilities of the United States. I would go further than Professor Niehans' suggestion that the gold guarantee should be offered to private holders of dollars overseas as well as to central bank holders of dollars. I think this would go a good deal further than the very firm promise made by your President recently.

But I am afraid that sort of firm promise does tend to evaporate in its effect, in time. I am afraid my country set a bad example. We promised extremely firmly up to the eve of devaluation in 1949 that on no account would sterling be devalued, and then we did it by a sharp amount.

Senator PROXMIRE. We are in a different position, as I am sure you appreciate. The President said there would not be any reason to devalue, because if we did, every other country would be likely to