might relate to our reserve requirement. Again that is fixed and people have used the adjective, "high reserve." What if we were to lower that because of a seeming fear that we are reaching that peak? Do those kind of fixed figures in our monetary policy create confidence, or what if we made them flexible, would that be a better system?

Mr. NIEHANS. I take it you are in fact asking about flexible exchange rates in effect?

Representative CURTIS. Yes, I guess it would amount to that.

Mr. NEIHANS. Without going through the whole debate, I would say, briefly, that if you advocate and wish international economic integration, exchange rates should be kept stable. If you are in favor of some amount of national insulation from international influences and if you want to be as independent as possible of foreign influences in your domestic economic policy, an argument could be made in favor of more flexibility. I take it that at the moment the trend internationally is more in the direction of increasing economic integration, and in this respect I believe that an increase of flexibility is more in the cards of general development.

Representative CURTIS. I must say I am rather inclined to agree with that position, although I went along with throwing out the suggestion. I was more interested in seeing what would happen in the way of comment than I was actually advocating the theory.

Mr. NIEHANS. I am quite sure it will not greatly increase confidence in the dollar.

Representative CURTIS. I am inclined to think so.

Mr. LOLLI. May I say that I believe that the confidence would be shaken, although the present cover required by legislation for circulation probably is excessive. I would say that if, at this moment, that would be lowered, it would decrease confidence without any good reason. If it is at all possible, I would not change it at this moment.

Representative CURTIS. Thank you.

Representative REUSS. If the countries of Western Europe really wanted to restore confidence in the dollar, they could do so very quickly, could they not, by helping us remove our payments imbalance by a combination of such measures as picking up a larger share of our military burden abroad, picking up a larger share of our aid for developing areas, lowering their tariff barriers and quotas so that we might enlarge our export surplus, and refraining from floating issues in the American capital market. An example of the last is the recent loan floated on Wall Street by the European Coal and Steel Community.

Mr. LOLLI. On this last item of floating foreign issues in the United States, I don't think that has too much of a bad influence because, according to what I hear from the New York issuing houses, the greatest majority of those issues are placed back in Europe—the greatest part.

Representative REUSS. I didn't mean to stress that unduly. The $1.5 billion of U.S. defense expenditures in Europe is certainly a more important single item. But my central question was, if the problem is really restoring confidence in the dollar, isn't the way readily open to the countries of continental Europe to do this tomorrow?

Mr. LOLLI. As far as restrictions are concerned, I think they have abolished almost all restrictions on imports from the United States. In