Mr. BELL. May I just say, I think somehow or other we are exaggerating this long-term capital flow from the United States to Europe. I have summarized on table 3 the actual net purchase of both foreign bonds and foreign stocks from Europe and of European purchases of U.S. bonds and U.S. stocks over the 5-year period. It is a net inflow. If you take this 5-year period as a whole, one could point this way. There has been approximately a $2 billion outflow, in both stocks and bonds to Canada. Another billion to the rest of the world, including that going through international agencies to less developed countries, and a net inflow of a billion, which, in effect offset that $3 billion outflow from Europe. So, on balance, the European capital flow has been to the United States, and the outflow has been heavily to Canada and less heavily to the less developed countries.

Mr. HUMPHREY. It is true, as you say, that this has been the balance-of-payments effect. But if we did restrict new flotations here, I don't see that it follows that foreigners would buy less of other issues here. So isn't there a possibility, if this were decided on—I am not discussing the desirability of the policy—if we restricted, that this would not necessarily restrict European buying here. We might still have the inflow and restrict the outflow.

Mr. BELL. I don't know how acceptable they would find that.

Mr. HUMPHREY. They are complaining that we are unduly complacent.

Mr. BELL. I just don't think if you restrict it from Europe, I don't think you will restrict much capital even on the gross side relative to what you are doing.

Representative WIDNALL. Yes, sir. The three European economists recommended that the United States provide gold guarantees to the foreign dollar holders and in that way protect against the effects of any future devaluation. What is your opinion of such a measure? Have you formed any opinion as to whether or not that would help reduce the export of our gold?

Mr. BELL. I personally would not think that it was terribly imperative. Foreign governments have not been shifting heavily from dollars into gold. The statistics again show, I think I have taken a ratio in table 7, of dollars to gold by foreign governments, out of their total—what is the ratio of dollars to gold holdings, aggregating all of them together, it has stayed right around approximately 50 percent. There has been no marked shift from dollar reserves into gold reserves. I don't think a gold guarantee would have any great effect one way or another at the present time. It obviously would, if there exists the possibility of devaluation.

Representative WIDNALL. If my figures are correct, the gold lost from January, 1, 1962, to July 1962, was $420 million as against $200 million in the comparable period in 1961.

Mr. BELL. We are losing gold, but that is because of our overall balance-of-payments deficit. They are not holding less short-term Treasury bills or less dollar deposits in this country. Their overall balances have been building up, and they will take a share of that in gold and a share in increased dollar claims. That ratio has been roughly constant.

Representative WIDNALL. So you feel if we went into this gold guarantee proposal and implemented it by action, that it actually would not have any material effect?