Mr. PIZER. No, sir.

Representative WIDNALL. That is all.

Senator PROXMIRE. Mr. Bell, I am delighted to see this study. I see in addition to your summary you have a detailed statement which I presume has been put in the record, which is most impressive.

I have been pleading with the Federal Reserve to make a study to show the effect of interest rate differentials on international capital flows without much success. I feel so strongly if we are going to adopt a monetary policy based to any extent on its effect on the balance of payments, we should have some studies to back it up. I see you have made a study, and I think quite an impressive study, right here which I hold in my hand. On the basis of that, you summarize, and then I want to ask Mr. Klopstock to comment:

> Existing interest rate differentials here and abroad, most especially short-run changes in the differentials, appeared to play a relatively minor role in industry short- and long-term capital outflows from the United States.

You say there is no strong relationship between the European bond purchases and no relationship between U.S. purchases of European bonds and the level of interest rates.

Then you say in your excellent analysis:

> Study of the components of the recorded outflow during those 2 years and movements in the 3 years previous to that period, what types of capital moved and where they went, as well as the timing of the various movements, does not support the hypothesis that U.S. short-term capital has been moving in recent years primarily or even significantly in response to changes in short-term interest rates.

Then, you refer to a very interesting study put in the record by the Federal Reserve Board, who found that the—

> amplitude of the fluctuations about the trend from peak to trough in dollar assets held by foreign commercial banks and other private parties in recent years has been between $600 million and $1 billion, suggesting that this is the maximum amount of switching which may take place as a result of interest rate differentials or for other reasons. And he suggests that two other considerations may well have swamped the interest rate factor, in spite of a relatively high correlation between deviations from trend and interest rate differentials.

These were the need to build up working balances and a speculative raid on the dollar in 1960 and 1961.

I want to thank you very much, because, while we have had some very excellent papers and fine analyses, it is good to have a study which is based on careful observation.

Mr. HUMPHREY. In case Mr. Bell is too modest, I would like to note that he is making a full and longer study which will be available for publication by the committee within a month.

Senator PROXMIRE. Very good. I will be looking forward to that.

Mr. KLOPSTOCK. First, I would like to state that we do, at the Federal Reserve Bank in New York, study the question of interest rate sensitivity of capital movements in great detail. Our studies have not yet been completed. We are engaged in such a study. Several papers are being prepared on the subject matter at the bank.

Only recently our Monthly Review carried an article on short-term capital movements which I would like to put in the record if it is not already in the record.