Representative REUSS. I appreciate that. If after I have had a chance to inspect and understand the basic papers, I have questions, I would want any colloquys we have on that to be conducted in executive session unless there were good reason to the contrary.

But I do think Congress has to know.

I was interested in your refutation of the gold guarantee suggestion which was made by a unanimous group of visitors from abroad the other day. I may say I have grave doubts about this one, too.

I note that you call it an exceedingly harmful measure besides being ineffective. Referring to these foreign exchange swaps which you have made in the recent past, I assume they carry a fixed exchange rate for settlement at maturity. Is that not the equivalent of giving a gold guarantee?

Mr. HAYES. I think you must make a distinction, in my opinion, between a gold guarantee and an exchange guarantee, in the first place.

In the second place, these exchange guarantees affect only this specialized single operation, and I would point out as a result of that it does not necessarily carry any implications or obligations to extend it to holdings in general and it is a reciprocal arrangement so there is a benefit on both sides.

We get a guarantee of the holding of foreign currency with respect to the same amount of currency. I think you can easily argue that an exchange guarantee there is wholly sound, where a general gold guarantee would be highly unsound.

Representative REUSS. I was not critical of your swap agreements. I recognize that they affect $700 million rather than the $17 billion of foreign short-term claims, public and private. However, I am not sure I see the distinction between a gold guarantee and an exchange guarantee. You would not want to press that too far, would you? Are they not about the same thing?

Mr. HAYES. May I digress a second to say that the arrangements in those swaps are in keeping with normal commercial practice of forward exchange markets and spot markets. There is simply one transaction in the spot market and an offsetting transaction 3 months forward.

So it is a very standard way of obtaining exchange protection. I would think the differences between a gold guarantee and exchange guarantee are considerable. I think the gold guarantee, however, is the one that really horrifies me. I think it has very serious implications.

Representative REUSS. Both of them say, however, to a foreigner, "Look, sir, you keep holding that hundred million dollars worth of dollars that you have and we will see if there is a devaluation, which God forbid, you will not suffer harm." That is the economic effect of them, is it not?

Mr. HAYES. These swaps are just a 3-month affair.

Representative REUSS. I appreciate that.

Mr. HAYES. We know darn well there will not be any change.

Representative REUSS. I will say unhesitatingly that one of the things wrong with a gold guarantee is that it is open end and goes from now to eternity, and that is quite a long time, whereas, ninety days is reasonable.