NEW APPROACH TO U.S. INTERNATIONAL ECONOMIC POLICY

FRIDAY, SEPTEMBER 9, 1966

CONGRESS OF THE UNITED STATES,
SUBCOMMITTEE ON INTERNATIONAL EXCHANGE AND
PAYMENTS OF THE JOINT ECONOMIC COMMITTEE,
Washington, D.C.

The joint subcommittee met, pursuant to notice, at 10:05 a.m., in room S-407, the Capitol, Representative Henry S. Reuss (chairman) presiding.

Present: Representatives Reuss and Ellsworth; Senators Proxmire and Javits.

Also present: James W. Knowles, executive director; John B. Henderson, economist; Donald A. Webster, minority economist; and Hamilton D. Gewehr, administrative clerk.

Chairman REUSS. Good morning. The Subcommittee on International Exchange and Payments of the Joint Economic Committee will be in order.

We welcome here this morning our panelists, Professors Roy Blough of Columbia University, Emile Despres of Stanford, and Robert A. Mundell of the University of Chicago, and Dr. Walter S. Salant of The Brookings Institution.

This hearing has been called to ask the general question: Where does the free world go from here in its problems of international balance of payments and monetary reform in particular, and its international economic problems in general? On international payments the unilateral effort of the United States to put its own payments in order without damage to the international economy has shown little real progress, and as a result there has been a continuing increase in the supply of dollars in foreign hands, accompanied by a persistent conversion into gold by at least one of the powers, France.

On international monetary reform, the heads of the national treasuries and the central banks have been talking about reform for at least 5 years, but today we still live on hope rather than on accomplished agreement. We have reached agreement on some brilliant exegeses of the alternatives, but no agreement at all on which one can be the basis for policy, and our best hope is that if all goes well, everyone but France will be in agreement a year from now as to what we might start to do if the world ever ran into serious financial trouble. But this is small consolation because real trouble will not necessarily give us notice of a year or two in order to enable us to put new machinery in place. The world, therefore, faces a very real risk that if a financial crisis comes, it will be with so little warning that we had better have the machinery in existence and functioning, not merely