I would say that the correct policy—by far the best for the free world in the interim, before officials can agree upon a plan for international monetary reform—is to tackle the gold problem, give that problem the highest priority, to take care of the price of gold in the event that there is some kind of serious financial disturbance.

The only way in which that can be done is by an agreement between the United States and the other members of the group of 11, 9, or 10 to use their full resources, gold resources, to stabilize the London price of gold, in the event of a disturbance. With $25 billion among them there is no reason why the price of gold has to go up. But in the event of a sterling devaluation combined with other devaluations of a competitive nature in other countries—that is a serious likelihood.

Thank you.

Chairman REUSS. You say in your statement, Mr. Mundell:

> Europe must be willing to alter the composition of her reserves to the extent necessary to preserve the present dollar price of gold.

By this, do you mean an interim agreement pending the adoption of a new international monetary mechanism under which countries would agree to maintain only a certain proportion of their reserves in gold?

Mr. MUNDELL. Yes. Suppose there is a dramatic, speculative increase in gold hoarding of $2 or $3 or $4 billion. That $2 or $3 or $4 billion is going to have to come out of the reserves of either U.S. or European central banks, unless the price of gold in London is going to rise; and in order to stabilize the price, there has to be an agreement.

There is no reason at all, with $25 billion between them, that the price of gold in London has to rise, but it would take some agreement on the part of the monetary authorities to feed gold into the market whenever it is necessary. They can do this through an enlargement of the gold pool, but not a gold pool with half a billion dollars in it, but a gold pool with $5, $10, or $15 billion, whatever is necessary.

In the long run they are not going to have any less gold, because if the private speculators are faced with the enormous weight of $25 billion of gold committed to support the dollar, there is no reason why a speculator would want to hold on to a non-interest-bearing asset. His only chance of getting money, of gaining, is if the price goes up, and it can't possibly go up if the central banks in the Group of Ten cooperate.

Chairman REUSS. Another provocative statement in your paper, Mr. Mundell, is that in which you say:

> It is in this milieu that the managers of the system—the central bankers and the finance ministers—have reached an impasse on the issue of monetary reform. Yet the stability of the system depends entirely on their ability to agree.

Taking that statement as a jumping-off point, would you agree, yourself, to the larger question presented here this morning, as to whether free worldwide discussions of matters like monetary reform, and, for that matter, balance of payments, trade, aid, and some of the other subjects, should not be elevated to a heads-of-government level on a multilateral basis, where the technical level of discussions which have gone on for the last many years is rarely adequate to the gravity of the problem.

Mr. MUNDELL. I have mixed feelings about that. On the longrun issue of monetary reform, I think the technical expertise of the indi-