

vidual treasuries and central banks is necessary, and while they should be prodded in this direction, they can't be commanded to come up with an idea that is politically acceptable to the group when the political framework in which reform is to take place isn't really established.

Where I would agree with that statement, however, is the absolute necessity of an agreement among officials, perhaps as high as heads of government, on this immediate issue—coordination of policies in the event of a crisis. This is an issue on which the most general directive can be given or the most general meeting can agree that they will either at this stage raise the price of gold or not raise the price of gold, and if they are not going to raise the price of gold, then take whatever steps are necessary to insure that the price of gold isn't chaotically forced up.

Chairman REUSS. Thank you. I think it would be useful if I now invite members of the panel to comment generally on the subject matter we are discussing, or on any specific part of it, and I will just recognize members, starting with Mr. Blough.

Mr. Blough, incidentally, has a commitment back in New York, and must leave at 11:30, no later than 11:30, so I would hope that we could ask him whatever questions we have before then.

Mr. BLOUGH. Mr. Chairman, at this time I would like to speak only on one point raised by Mr. Mundell; namely, the possibility of a rise in the price of gold. I think this is a risk, at any rate, that cannot be excluded as a possibility in the present state of the world's monetary system. France now has about \$5 billion of gold which is much larger than is necessary in relation to her international trade, her liabilities, and her other responsibilities.

The French head of state has made some statements which indicated a strong belief in close ties to gold. One of his economic advisers is reported as strongly supporting a substantial increase in the price of gold.

There are a number of people in Europe today who are actively working toward a substantial increase in the price of gold.

Suppose the French decided that getting back to gold was the real answer, that economic international financial cooperation was no longer something that they were willing to go along with, and that they wanted to get back to the old gold standard. Obviously, that cannot be done on a worldwide basis at the present price of gold.

I think my question would be, if this admittedly highly speculative supposition were actually to come true, so that we had strong pressures to increase the price of gold, and in case there was a failure of the pound sterling—which we certainly hope will not occur—would France be able in effect to force a substantial increase in the price of gold as the substitute for the use of international cooperation, using appropriate international machinery?

I share the belief of the Joint Economic Committee, and, I believe, of most students in the field, that some type of international pool of credit, using one of the methods or other that have been mentioned, is much superior to increasing the price of gold.

So in summary, I would not at this point lightly dismiss the possibility that we may be pushed, by some combination of factors, into consideration of an increase in the price of gold. I hope not; it would be a very inferior approach to the problem.