Chairman REUSS. Thank you. Mr. Despres?

Mr. DESPRES. I would like to make some general comments about where we stand today and what it seems to me that the problems are. I would describe the whole period since 1959 as a period of contained international monetary crisis, and this is ironical in many ways.

(A formal statement, subsequently submitted by Professor Despres, appears on p. 39.)

Mr. DESPRES. The franc was devalued and stabilized in 1958, and at the end of 1958 the advanced countries of the free world achieved general current account convertibility. This was a kind of a culmination of one of the long-term objectives of American foreign economic policy, to establish a world in which you would have liberalized multilateral trade without restriction on international payments, so that it didn't matter whether people wanted to spend their vacations at home or abroad, and whether you were using foreign exchange or domestic currency. It was supposed to be a world free from intense balance-of-payments preoccupations.

The ironical part of it is that this kind of culmination resulted in what amounts to a quasi-mercantilist world, in which countries are taking measures for balance-of-payments reasons, to get a "favorable balance of payments," to restrain out-payments in one way or another, to encourage in-payments, and so on.

The reason I say "quasi-mercantilist" is that we have sought to adhere to, we have sought, despite payments difficulties, to push forward with some of the commercial policy objectives of long standing, such as the Kennedy Round. At the same time, we have taken a lot of measures of a mercantilist variety for the sake of husbanding foreign exchange, such as tying aid and the Government's substitution of domestic for foreign military procurement.

The situation has been one of contained crisis. I do not share the fears of some of my colleagues at the table about a forced devaluation of the dollar. Until General de Gaulle's statement—was it in the latter part of 1964, I think it was—I think one can say that there was a general consensus among the advanced industrial countries that the crisis would be contained; that whenever a panic run developed, some emergency devices would be brought into play to prevent things from getting utterly out of hand, to prevent a blowup. And although France is no longer a member of this consensus, and has made it very clear that they do not desire to forestall a blowup—nevertheless, the consensus remains very strong, I think, among the other countries concerned, and when the spokesmen of the Federal Reserve Bank of New York and former Under Secretary of the Treasury Robert Roosa talk about the highly sophisticated techniques that have been developed for intervening in the exchange market and for mutual support and so on, and laud themselves and their colleagues abroad on the efficient methods of cooperation that have been developed, there is this much truth to it.

For the purpose of forestalling an undesired breakdown of the system, the methods, although in part informal, are I think very good, very reliable, and I would say that the lack of French cooperation alone is not potent enough to eliminate this consensus, to weaken the system decisively. So that I don't fear a breakdown or a forced devaluation.