

Mr. DESPRES. The main point I would say is this. The view of balance-of-payments matters, which you will find in almost any official document or in much of the economic writing that you pick up, is a view that derives from David Hume, the Scotch philosopher of the 18th century, who assumed a world in which everybody used the metallic currency, and in which there was no international lending or borrowing, and in which, therefore, all countries were equal in the sense that each faced the same kind of balance-of-payments problem. There was symmetry in international economic relationships in this sense.

We do not have that kind of a world. We have a world in which the United States exercises a predominant economic and financial role. On the economic side we are, and have been for several years, the only substantial net provider of real resources. I mean by this, current account surplus to the rest of the world.

France provides, in relation to her economic size, a sizable amount to the French community abroad, but it is still true that we are the only country with a large export surplus in goods and services, and this is the measure of the real resource contribution. We are, moreover, the world's financial center. The dollar is not just a domestic currency. It is a world currency, and for deep-seated reasons having to do with the advantages which are provided by size, the structure of finance, whether domestic or international, is hierarchical in organization, and the United States is at the apex. American lending and investment abroad performs two purposes.

It performs the purpose of transferring real resources, which the conventional wisdom acknowledges, and it performs the second purpose of providing financial assets to the rest of the world of types which other countries desire, and taking financial claims of types which other countries desire us to take—this process of financial mediation being an essential part of the flow of saving into investment, not only internationally, but let us say within foreign countries.

The needed expansion of German oil refinery capacity, for example, is facilitated by the acquisition of German refinery companies by Texaco, because Germans are willing to take Texaco stock and are not as willing to take the securities of a German oil refining company. This kind of trade in financial claims occurs quite generally and pervasively.

With a properly functioning international capital market the countries other than the financial center that have good credit standing have no need for additional reserves. Subject only to credit standing, the international ebb and flow of capital frees them of any balance-of-payments problem, as conventionally defined. Their only problem would be to stay within the comfortably wide limits imposed by credit standing. The attempt of all schemes for improving international liquidity to find some universal formula based on the principle of symmetry are beside the point. There is no inadequacy of liquidity so far as other countries with good credit standing are concerned.

Contrast with this the position of the financial center. I would like to call attention to the fact that just a few years ago the U.S. Treasury had great difficulty in borrowing abroad, with the special issues of Roosa bonds, amounts less than we were simultaneously providing to India and Pakistan by way of AID. Now the unwillingness of foreign governments and central banks to buy themselves or to author-