that the reason we can't is because economists, central bankers, governments, are under the spell of this David Hume myth. I admire Hume but I am just opposed to applying 18th-century economics to the 20th century.

Chairman Reuss. Passing Dr. Mundell for the moment, unless you wish to——

Mr. Mundell. I had some comments on Professor Despres' statement, but I could leave them until after Dr. Salant.

Chairman Reuss. All right, let's do it that way. I will call on Mr. Salant.

Mr. Blough. I have a few more comments that I would like to make before I leave, so I hope I can break in at some time.

Chairman Reuss. Yes; and I will bear in mind Dr. Blough's travel requirements. I will call on Mr. Salant, then Mr. Blough, and then Mr. Mundell, in that order, if you don't mind. We will all have full opportunity.

Mr. Salant. I don't have much to add to what Mr. Despres has said, because I am in accord with it. I would like, I think, only to point out a couple of things that I think reinforce it, or cite one or two facts as supporting evidence of the view that the tightness of the situation resulting from the attempt by other countries, some other countries, to impose on the United States the discipline which they think is necessary for the working of the system is chiefly responsible for some of the supposed weaknesses in the dollar or for the belief that it is weak.

In the first place, evidence that private foreign holders do not regard the dollar as weak seems pretty clear from the increases in private holdings of liquid dollar assets, which nobody is compelling them to hold, but their holdings, nevertheless, increase.

I would also like to point out some interesting statements in the annual report of the International Monetary Fund, which was just released the other day. In a discussion of the international market for new security issues, this report points out that the market for these issues tended to become more internationalized in 1964.

As late as 1963 the international securities market, it says, was dominated by issues denominated in the currency of the market in which they were floated. By 1965, two-fifths of the total issues were denominated in a currency other than that of the market in which bonds were sold, and frequently this currency was also different from that of the borrower.

The market has now become dominated by U.S. dollar issues, frequently handled by institutions based in New York. In some respects, the U.S. dollar has become an international capital currency as well as a reserve currency.

A very large and increasing proportion of security issues in which the borrower was a national of one country and which were marketed in a second country, were denominated in the currency of neither of those two countries, but in dollars. This does not suggest any lack of confidence in the dollar, if one is looking for weakness. This tends to support the proposition that difficulties, especially those connected with conversion, resulting in conversion of dollars into gold arise from the attitudes of which Professor Despres spoke

Now I think I share his doubts and the mixed feelings that Professor Mundell also expressed about whether things would be much better if all these matters were left to heads of governments. The