trouble is they get their ideas from the technical experts, and it seems to me that only in the event that they would be prepared to disregard those which are wrong would anything much be accomplished in that way. It seems necessary, therefore, to press on with what we might call the educational problem about how a system with a dominant financial center has to work.

Thank you.

Chairman REUSS. Mr. Blough?

Mr. BLOUGH. Thank you for this special courtesy.

I would like to indicate very substantial agreement with much that Mr. Despres said, but I don't come up with quite the same conclusion. A conclusion with which I agree in part is that the state of affairs will not be changed materially until attitudes of foreign governments toward reserve assets are radically altered; the conclusion with which I disagree is that all that is necessary to bring this about is for the United States to change its mind.

The attitude of foreign governments toward reserve assets is only part of the problem. Their attitude toward the speed with which adjustments ought to be made by countries that run into balance-of-payments deficits is a related but distinct matter. Differences in views as to whether a country should be obliged to deflate internally almost instantly in order to restore balance-of-payments equilibrium is at the bottom of much of the present difficulty. The British, on the one hand, believe that there should be a good deal of leeway to accumulate deficits as a result of rapid growth, or while they are restructuring their economy. The continental approach generally is a much more rigid one, that countries ought to deflate to achieve adjustment promptly when they get into deficit position. I think this attitude presents a problem as well as their attitude toward reserves.

On the point about a conference of heads of governments, I am inclined to agree with Mr. Salant's position. I doubt that it would help very much; the heads of government are not going to get together on this until negotiations have been pretty well agreed to at a lower level. I would certainly welcome a meeting of heads of government, because that would be a signal that they were ready to come to some agreement.

Coming to the suggestion that all that is necessary is for the United States to change its mind, this seems a much too optimistic position. The idea that we can take the risk of everything turning out all right worries me.

We underwent something of this sort internally in the 1930's, when we discovered that gold was not important for domestic money, but a rather serious internal financial crisis was the price of this discovery. Could we accomplish this kind of change of attitude toward gold and reserves for international money without passing through an intermediate stage of international financial crisis? This may not be rational behavior, but since when has rationality dominated international behavior? I do not like to see us take great risks ourselves to attempt to change world opinion on a subject where perhaps most central bankers abroad do not agree with the views toward gold that have been expressed here. The fact that we think they are wrong doesn't mean that we can readily persuade them they are wrong.

A crisis, if it developed, would undoubtedly convince them that they are wrong, but can we afford to risk the crisis to achieve that result?