the terms of activation shall be any more than has so far been spelled out in the outline plan tentatively adopted at Rio, and that this is accompanied by French legislative history by speechmaking or footnotes or other words, which later give them a standing to say: "No, we didn't agree to activate under circumstances where the United States is still running a substantial balance-of-payments deficit." Have we in such circumstances disadvantaged ourselves? Is there anything that we could not then do by way of an alternative plan which we could do had we demurred at the threshold?

Mr. BERNSTEIN. The history of reservations to international agreements is a very old and long one. There are 107 countries that are going to act on this agreement, ratify it. I think if each one makes a speech saying what it thinks about each of these different sections to suit itself, they will have no significant effect on the agreement.

A reservation to be effective must be accepted by the others. I do not think France's reservation, if it makes such a statement, will be decisive in the operations of this new plan. I am inclined to think that the amendment states clearly that the purpose of the plan is to assure the growth of reserves, and the test of activation will have to be whether reserves have grown.

Chairman REUSS. You do think then, I gather, that the United States must take care, and other countries who agree with us must take care, that whatever the gratuitous legislative gloss put on this by the French, whether they say black means white or whatever they may say, that we should be very careful that the actual language of the amendment to the Articles and of the accompanying IMF report give no nourishment whatever to the notion that activation must await substantial improvement in the U.S. balance of payments.

Mr. BERNSTEIN. Mr. Chairman, I mean precisely that. You have summarized just what I think.

Chairman REUSS. Before turning to Sir Roy, have you had an adequate opportunity, as it seems to me you have had, to respond to the first question that I put?

Mr. BERNSTEIN. Oh, yes. I have said everything that I want to say now. If I have anything more I will add it.

Chairman REUSS. All right. Sir Roy, would you address——

Senator SYMINGTON. Mr. Chairman, may I ask one question before we leave Professor Bernstein?

As a continuation of our dialog, somebody who has had a lot of experience in this field states:

> In the first place, the agreement at Rio during the annual meeting of the IMF which has been hailed by some as a great success, nevertheless provided the European countries with an effective veto over the activation of the new liquidity plan. But if the Europeans are unwilling to finance our deficit by holding dollars, and if European countries show little concern over reducing their surpluses, why would they provide unlimited financing for a continued United States balance-of-payments deficit?

It would seem to me a rather pertinent observation.

Mr. BERNSTEIN. First, I do not think that last sentence is pertinent—it seems to me to be irrelevant. Whoever said any plan is going to provide unlimited financing for the U.S. balance-of-payments deficit? This expert has set up tests of what a new international monetary system should be that no one on earth has urged, not even we.