As you can see, Senator, I do not think this is a valid point. It does not seem to me to be touching the merits of the question.

The system we are setting up is the most radical change in the international monetary system that the world has ever known. It is the creation of a new reserve asset, fiduciary in character, intended to grow year after year.

Before some of our young experts in this field have become old men there will be more fiduciary reserve assets than gold in the international monetary system.

It is in the nature of such an innovation that it should start reasonably conservatively. I just want to be sure that the actual operation is done intelligently. In my opinion, the new reserve asset will be managed in an intelligent way. That does not mean that the new reserve asset must be the quintessence, the universal solvent, the philospher's stone. It is unreasonable to expect that there will be no international financial problems hereafter if we create special drawing rights. That is a nonsense test of whether the agreement for a new reserve asset is a good one.

Senator SYMINGTON. One more question. As I understand it, the French control more than the 15 percent required to veto any plan based on Rio?

Mr. BERNSTEIN. Oh, I do not think so.

Senator SYMINGTON. They control the Common Market. I want to be sure I have your thinking. This is not any criticism. I am trying to be informed——

Mr. BERNSTEIN. Yes.

Senator SYMINGTON. As I understand it (*a*) you feel that France does not control the Common Market and (*b*) therefore, regardless of their feeling as a creditor nation as against our and other nations' problems, all that will be overcome in the ultimate decision; is that correct?

Mr. BERNSTEIN. Yes, sir.

Senator SYMINGTON. Thank you.

Mr. BERNSTEIN. Senator, I believe the French cannot carry the rest of the Common Market with them on this question. They tried and did not succeed. Second, in my opinion, the French are at the peak of their capacity to influence the Common Market.

Their economic strength is not growing relative to that of the rest of the Common Market. The power of France to get its way at present is to a large extent due to the fact that its partners in the Common Market do not want any political exacerbation of their relations at this time. It has nothing to do with the economic strength of France being great enough to overcome what the other members of the Common Market want to do.

Senator SYMINGTON. Thank you, Doctor.

Chairman REUSS. Now, Sir Roy, would you address yourself to this first question which has in it the elements of, one, is the United States balance-of-payments position in itself a legitimate criterion in a decision as to the activiation of the new SDR's and, two, to what extent, if at all, does the United States jeopardize its later freedom of action by entering into a ratification when the activation may be subject to some of the hazards described.