I would just like to add a point or two to what he said. If the United States had bargained with the Group of Ten for putting an activation date in the agreement, a long struggle involving compromise and probably involving a rather late date would have had to be put into the agreement, with plenty of chance of everybody's saying: "Well, with that late date for activating there is no hurry about putting the plan before Parliament for ratification."

The Managing Director of the Fund is much more likely to choose an earlier activating date than any you could have agreed on in a compromise within the Group of Ten. I come back to the proposition that the Managing Director of the International Monetary Fund has 107 members. To him a consensus does not mean that every single member must say "Yes." He would be glad to have the support of every large country. But I cannot see how he could regard the will of the other 100 members as of negligible importance.

I would like to add a word on the proposition that we cut ourselves off from the possibility of a second best alternative by ratifying the agreement that will come out of the Rio resolution.

There are many less attractive alternatives to an international monetary system based on fixed exchange rate, using as reserves gold, dollars, and sterling, as well as the new reserve asset. But the best thing to do with these alternatives is to have other people aware that they exist.

That is much wiser than threatening to use a big stick, because there is very grave danger that when you are brandishing the stick you will find, and maybe they will too, that it is not as potent a weapon as you thought, or not a weapon that could be used without considerable injury to the wielder.

So I think that the alternatives have not been lost. They are all there. The Common Market countries are aware of them and they are more wisely left unspoken.

Chairman Reuss. Just to be entirely clear on this, is it your belief, Mr. Bernstein, that if we ratify in the next year, and the requisite number ratify, and if thereafter the activation is either nonexistent or is of such a niggling nature as to disappoint you, would you feel that we have not foreclosed ourselves from other alternatives, and if specifically there is a world liquidity squeeze, the avoidance of which is the whole reason for SDR's, that other alternatives, such as proceeding without France, would be about as freely available to us, as if we had not undertaken the initial ratification?

Mr. Bernstein. I would say more freely available to us, even, Congressman.

I think I can put it this way: In my opinion the capacity of France to stop the activation of the plan for a new reserve asset has never been less than it is today.

The French lost most of their capacity to stop the new plan when they approved the text of the London agreement.

When they agreed to the Rio resolution under which the International Monetary Fund directors are required to bring in a formal amendment on the new reserve asset, they lost more of their power to stop it.

When they accepted the provision that the managing director shall propose when the activation of the plan shall take place, they became