

The displacement of national fiduciary reserves by *international* fiduciary reserves should similarly be viewed as one aspect of the adjustment of the former tribal, feudal and national institutions through which this control could previously be asserted to the ever-changing realities of a more and more interdependent world.

Both phenomena should be inserted in a vaster historical perspective: the long march of mankind towards its unity and a better control of its own fate.

Chairman REUSS. Would you now proceed, Professor Triffin, to present orally your reactions to some of the questions that have been raised here.

STATEMENT OF ROBERT TRIFFIN, YALE UNIVERSITY

Mr. TRIFFIN. Thank you very much, Mr. Chairman.

The Congress of the United States is certainly one of the many hens whose active participation will be essential to the hatching of the Rio de Janeiro egg. This will have to be done not only by us but by scores of Congresses and Parliaments throughout the world.

If Congress refuses to hatch that egg, it will be dead, and a world monetary collapse a la 1931 and 1933 is clearly around the corner. If you insist at this late stage on imperative amendments making it a different egg, other hens will refuse to participate in the hatching, or will not be ready to do so in time to ward off a world catastrophe.

I. ACTIVATION

On the other hand, if you agree to hatch the present egg as it stands, and do nothing further about it, the bird that emerges will not be allowed to fly or even to crawl until after the most urgent problems that we confront today have been solved, since the agreement is not supposed to be activated until we and the British have succeeded—without its help—in achieving a better and lasting equilibrium in our respective balances of payments.

The logic of this prerequisite, which was insisted upon in former and happier days by our own negotiators as well as by the Europeans, is that there will be no general reserve shortage and, therefore, no need to create additional reserve assets, as long as the U.S. deficits continue to pump vast amounts of dollar balances into the world reserve pool.

The need to create a new reserve asset will emerge only, according to this reasoning, as we reach or approach equilibrium.

This used, indeed, to be the main argument of our officials in favor of what they called contingency planning.

This logic, however, is only partial, and therefore misleading. The persistence of our deficits by no means guarantees that foreign central banks will continue to finance them through further piling up of dollar IOU's in their reserves. World reserves will *not* increase if they convert their current dollar accruals into gold. They could even decline precipitously if the persistence of our deficits induced further conversions into gold of some of the huge dollar balances—well over \$16 billion—accumulated by them over many years past.

On the other hand, the restoration of equilibrium in our balance of payments might well trigger opposite operations, by private gold hoarders and speculators as well as by central bankers. A new faith in the dollar and the vanishing of expectations of a proximate increase in the price of gold might trigger vast switches from gold into dollar