

as 1962, as a utopian and dangerous dream in the absence of a world government, but the same proposal was strongly endorsed by him less than 2 years later.

(c) The same official foresaw also in 1962 the direst consequences from any expression of interest by the United States in international monetary reform, as long as our balance of payments was in deficit. One year later, these fears had apparently vanished, even though our deficit has increased further in the meantime and was later to be regarded as beyond remedy as long as we remained embroiled in the Vietnam war.

(d) We initially opposed the French proposal for reserve units and preferred to develop instead the traditional techniques of the IMF. By last March, however, a breakdown of the negotiations seemed imminent because of the French rejection of their initial reserve unit technique in favor of IMF drawing rights, and of our belated endorsement of reserve units as preferable to drawing rights.

Further lessons might be drawn from these bizarre quirks in incompatible and ephemeral "national negotiating positions" often as far removed from our true national interests as from those of the international community itself. But this should be reserved for another, and more leisurely, occasion.

Thank you, Mr. Chairman.

Chairman REUSS. Thank you, Mr. Triffin.

Let me ask first of Sir Roy Harrod his attitude on two of the propositions contained in Mr. Triffin's paper which were also discussed by Mr. Bernstein, the so-called questions 3 and 4 put to you earlier, question 3 being whether starting rather promptly after the activation of SDR's it would make good sense to initiate discussions in the World Bank and in the IMF looking toward the possibility of allocating some portion of the new SDR's to international economic development possibly through the purchase of IDA securities, and thus to link foreign aid and reserve creation.

Then the fourth question, which is whether the pooling of SDR's by regional groupings of countries in order to marshal their new drawing rights most effectively should be permitted and encouraged.

Would you address yourself, Sir Roy, to those two points?

Sir Roy HARROD. Yes. There may be an opportunity later for me to seek elucidation on one or two of the points that Professor Triffin has just made.

Chairman REUSS. Yes.

Sir Roy HARROD. I do not think I really have much to say about 3 and 4. I am in favor of 3, and I think it would be a good thing to do.

The trouble has been that there is very strong prejudice at the official levels against any such scheme, against linking aid and monetary questions.

I suppose basically, I think, it is because there is prejudice on the part of bankers, top bankers, against the kind of things they understand being mixed up with aid questions.

The traditional arguments used are that you might have a scheme in which you had conflicting pressures. You might have, for instance, the use of IDA funds for certain projects in less developed countries. Such schemes very often last over a period of time. You might be committed to issuing a certain number of monetary units to these countries at a time when it might be that the world needed deflationary