switch their own holdings of SDR's to the other countries otherwise than through the specific machinery laid down. But if they are to have such liberty under the agreement, there seems no reason why they should not also be able to switch them to the pool.

Chairman REUSS. You had some additional points that you wanted to present to Mr. Triffin. Would you proceed now to put them?

Sir ROY HARROD. I was not quite clear—I am happy, very happy, to support his formula which he put out in the first instance, of creating whatever number of SDR's would be needed to fill the gap between a possibly desirable increase in the total world reserves and the accruals of gold and reserve currencies to those reserves. That seems to be an excellent formula, and it would meet the arguments of some who say, "We cannot start activating now because everything is so uncertain."

It is true, of course, that it is uncertain what the accretions of gold and dollars would be in the first 5 years. Well, I feel that that uncertainly will always remain, but it would be met by Mr. Triffin's formula, and then you would not have to do crystal gazing to discover what the gold accretions or dollar accretions are likely to be.

We would be in the position of saying this uncertainty does not matter, because, if the gold accretions are more, the SDR accretions will be less, by the formula. The only crystal gazing you would have to do would be about what total you think should be added to world reserves.

Further, under the scheme itself there is provision for making a change during the course of 5 years.

I was intrigued by the fact that it was unsymmetrical as between inflation and deflation.

If people think that the reserve creation proposed for a 5-year period is inadequate, it takes an 85-percent majority to have an increase during the course of the 5-year period. But if it is thought that the issues are excessive, a simple majority can authorize a decrease. That seems to imply a slight bias in favor of deflation. Well, I do not bother about that.

Then, I did not—I have had the privilege of reading Professor Triffin's submission—but I did not quite follow his "garbage can" argument. Certainly there is a problem in regard to old dollars and sterling that countries accumulated in the past, and have now changed their view about. They may have felt in the 1950's that the dollar was very good reserve currency to hold, but some countries, anyhow, have now altered that attitude of mind and, therefore, there is the danger of their just cashing in their holdings previously acquired, as one country has done already.

There is some safeguard, I think, in the SDR scheme that you cannot use SDR's, in order to alter the composition of your reserve holding, and it may be that that problem could be solved in that way. But it seems to me rather a tricky one, and difficult.

Chairman REUSS. Could we interrupt——

Sir ROY HARROD. Yes.

Chairman Reuss (continuing). At that point, Sir Roy, and ask Mr. Triffin to respond.

I have a little difficulty in seeing the garbage can horror myself. I would have thought that the two provisions in the outline plan against changing the composition of one's foreign exchange reserves will prevent the garbage can syndrome from occurring.