

Now, I find it very difficult to believe that you could ask them the following kind of advance commitment: "Well, at the moment in the last few months, for instance, you have been willing to take more dollars, more sterling. Therefore, we need not create any SDR's.

"But if tomorrow you change your mind and refuse to take dollars and sterling or try to liquidate those that you have been willing to accumulate in the past months, then at that point world reserves would contract because of the destruction of the dollar and sterling balances converted into gold. This will legitimately call for SDR creation to prevent such a contraction, and one-third of every SDR created will be allotted to us. Thus, if you refuse to finance us directly by holding to your dollars and sterling, you will finance us, anyway, through the SDR's created."

Chairman REUSS. At the time when, in your model, foreign central banks are not willing to accept further dollars, we, the United States, are not going to be rescued by SDR's.

Mr. TRIFFIN. No, the amounts are too small.

Chairman REUSS. The amounts are just not enough.

Therefore, when that fell day comes we are in a pickle, or not in a pickle, depending upon your views of the effect of large scale gold withdrawals from the United States, it could well be that we could sit quietly by and see our gold withdrawn, and then when it is all gone, have the dollar float, and it might float quite well, it might float upward, because I think the dollar is sounder than gold.

But in any event I do not quite see that SDR's come to grips with this problem or why we should view it as a defect of the outline plan, that it does not, always assuming that I have an understanding of what you have just been saying.

Mr. TRIFFIN. Well, as you know, I am extremely worried, I have been for a long time, about this probability that at some point central banks will create a deflationary pressure upon world reserves, not only by refusing to hold new dollars and sterling, but even by cashing their old ones, and I think that the first thing that should be in the U.S. interest in that respect would be to see that reserves, dollar reserves, dollar balances which they have been accumulating for 50 years past under the gold exchange system, should not be converted or liquidated overnight into gold metal.

This introduces into the system a source of instability which is totally unreasonable from the world point of view as well as from the U.S. point of view.

Chairman REUSS. Such a standoff agreement might be very advantageous.

Mr. TRIFFIN. To us.

Chairman REUSS. To us; yes.

Mr. TRIFFIN. Yes, I agree.

Chairman REUSS. And to, indeed, the whole world. But you would not want to delay the ratification and activation of the SDR's pending such an agreement, would you?

Mr. TRIFFIN. Oh, no, certainly not.

All I have been suggesting here again are directions in which we should think in order to correct past mistakes because this is a kind of agreement we could have obtained a long time ago if we had showed ourselves more receptive to some suggestions made by the Italians, supported by the Germans, exactly for such a solution.