

We have always refused to do so through a total misinterpretation, I think, of the U.S. interests. We have rejected all suggestions to protect our mounting dollar I O U's to control banks against sudden conversion into gold, because such a negotiation would obviously require some agreed limitation—by multilateral agreements—on our ability to finance future deficits through further accumulation of dollar reserves by our creditors. We hoped—rightly—that some countries would be willing, or could be persuaded, to accumulate more dollar balances in their reserves, but only if they felt assured that such balances would remain fully liquid, that is, that they could be drawn upon, at any later date, either to acquire gold, or to settle deficits with other countries as well as with the United States. We preferred in fact to leave our \$16 billion of outstanding I O U's to foreign central banks exposed at all times to gold conversion, than to give up the chance of obtaining a few hundred million dollars of short-term financing for our deficits through further—and highly precarious—accumulation of our dollar I O U's by some of them.

It would have been wiser, I think, to recognize that this process was bound to come to an end, and to seek instead multilateral agreements, with at least all major reserve holders, protecting against wanton gold conversions of the dollars acquired by them in the past and those that they might still agree to incorporate into world reserves in the future.

Chairman REUSS. Sir Roy, would you proceed?

Sir ROY HARROD. I am still slightly hazy in my mind, but it is slightly clearer.

Mr. TRIFFIN. Could I add one point which would make it clearer, because it will refer to an old negotiation in which you were very much involved?

A few months before the final agreement was reached on the European payments agreement, Britain presented a project which was very much along those lines also. Britain said, "Countries which want to cash their sterling for gold will have to accept EPU settlements in lieu of gold. But as long as some countries, Italy at that time, or the Scandinavian countries, are willing to take our sterling and finance us directly in that way, those operations should not go into EPU. If they change their mind they should."

What other countries said at that time was that this would make the new European Payments Union the "garbage can" of the failures of the sterling area, and it is the same objection that we are confronting today.

I believe very much, Mr. Chairman, let me be clear about this, I believe very much in the proposal which I have indicated and with which we are all in agreement, that we should create SDR's to fill whatever gap develops between a targeted increase in world reserves and the actual evolution of world reserves. I agree, but to make this negotiable you have to think about the second point which I have brought before you. Otherwise, the negotiation is just hopeless.

Sir ROY HARROD. May I go on to the next point that I do not understand, the proposal in regard to the distribution of SDR's?

This is not a proposal of anything immediate but for something that we might work to.

Mr. TRIFFIN. Yes.

Sir ROY HARROD. Distribution is proposed to be according to quotas. How you should distribute these units has been much dis-