

Mr. TRIFFIN. Could I turn it halfway, please?

Chairman REUSS. Yes. I will come sit around here, then.

Mr. TRIFFIN. It is not very visible from afar, I am afraid. I think some of you might come closer, possibly, to look at what it is.

This shows—I always like to take a longrun perspective—this shows the evolution of our reserve position since 1913, and the gold line here represents the amount of our gold stock, with a maximum of about \$25 billion in 1949.

Then, the line declines, as you note, to something around \$13 billion today.

The black line includes in addition to the gold, our foreign exchange and our net claims on the IMF or gold tranches in the IMF.

The other line, on the other end, the red line here, shows the dollar balances held abroad, private and public, and I showed with black lines here the excess of our monetary reserves over our short-term dollar liabilities, and the line was crossed shortly after I testified here in 1959. I presented a chart like this, but much more graphic, to Congress in 1959, showing the two lines coming very close to each other.

Well, they crossed about a month or two later, and the red dots mean, if you like, the excess of our liabilities over our total monetary assets, and I blocked in solid red something else, which is only the excess of our liabilities to central banks, to monetary institutions, over our total monetary reserves.

I have a similar chart—Chart 3, in my set—for Great Britain showing how this occurred at a much earlier stage in the British case. I think it is something that is unavoidable for a country whose currency is used as a reserve currency.

It is, of course, the reason why no country in Europe is very anxious—there have been some suggestions of this sort—but no country in Europe is very anxious to see its own currency used as reserves by other countries, because they consider it as hot money. The money comes in when the weather is good, it flows out when the weather is bad, like the famous umbrella of the bankers.

But now, to make this less alarming, I put on the same chart this green line, which is our total international net worth, including long-term investments abroad and our long-term liabilities abroad.

You see that throughout that period in which our monetary reserves passed from a net surplus of about \$23 billion to a net shortfall of about \$3 billion our total international net worth has continued to increase by leaps and bounds, and reached at the end of 1966 close to \$65 billion. I wish that when people publish charts or comment on the enormous deterioration of our monetary reserves they should at the same time keep in mind the other aspects of our international position.

Chairman REUSS. I think it is a very good point, and I would like to see something like that in our system of accounting.

Mr. TRIFFIN. Accounting, yes.

Chairman REUSS. Another thing that to me would make some sense in our system of international accounting—and this thought was suggested to me recently by a very distinguished business friend—is that after all the strength of the dollar is dependent in only minor degree on the \$13 billion worth of gold we now hold. It is dependent in very large measure on the long-term international investments which your line depicts.

To a person, foreign or domestic, who wonders whether to keep dollars or not, are there not two other relevant factors, one, the general