

a change in the situation in Vietnam, or a downturn in business. Since it takes so long to get it on the books, it is useful to go to work to get it on, even though you may want to take it off rapidly, if conditions change.

I do feel some little concern about the Federal Reserve Production Index for January, which leveled off a bit for the first time in how many months—70 months—but that doesn't seem to me yet enough of an indication that it is unwise to put it on at all.

Chairman PROXMIRE. Congressman Reuss?

Representative REUSS. Thank you, Mr. Chairman.

I want to express our appreciation to both of you gentlemen, not only for your appearance here today but for the help you have given our International Exchange and Payments Subcommittee for many years, officially and unofficially.

I would like to leapfrog over the immediate argument between you two gentlemen to ask a question which is very much in my mind.

Currently, the United Kingdom is renewing its effort to join the Common Market. The Kennedy Round trade negotiation deadline is approaching. And it remains to be seen whether the international monetary reform, which is targeted for next September at the IMF meeting, will in fact come off. I take it there is general agreement on all three of those propositions that the future is very cloudy.

If there is failure on these things, if the United Kingdom doesn't enter the Common Market, and if the Kennedy Round does not achieve a meaningful lowering of tariffs, and most important of all, if there is no agreement as to an international monetary reform which would take some of the weight off the dollar and substitute some new form of international currency, if as I say there is failure on these things, and if there appears to be a continued propensity on the part of some people to demand gold for their dollar holdings in excess of what you would expect them to demand, in view of their reasonable needs for holding dollars for their interest and for the reserve future, what would you gentlemen respectively think of the suggestion which has been made that the United States ought then, (1) to repeal the remaining portions of the gold cover and, (2) to invite those countries which have shown in the negotiations a cooperative attitude, and here I am thinking, I guess, of Canada, Japan, Australia, and the EFTA countries as opposed to the Common Market; what would you think of inviting the countries which have shown a cooperative disposition to, one, enter into some form of agreement, either under the IMF or under some new international monetary organization, to form what might be called a dollar bloc; that is, that the participants agree not to make damaging demands on our gold, and (3) instead to hold dollars?

Accompanying this could well be an agreement to give those countries that cooperate free access to our capital markets, while continuing some sort of an interest equalization tax, perhaps of a prohibitive nature, on other countries and, (4) in the trade fields to consider the organization of something like a free trade area within that bloc, which would have the effect I suppose of having a fixed exchange Bretton Woods type system within the dollar bloc, but letting the exchange rate float between such a dollar bloc and whoever the others were,