

That hasn't answered specifically your three points, the notion of creating a dollar bloc, the question of relating that to free access to our capital markets, and then around that building a free trade area. I think if we come to any extremity of this kind, and I repeat it requires not only your three premises but even more in the way of balance-of-payment failure to necessitate it, it does seem to me that all three would want to come together.

We would not want to think in terms of only any one of them. We would need a kind of an exchange control net outside a dollar bloc—I am speaking here as a technician and not as an advocate—and to make that work, we would have to give free access to our capital markets to everyone inside the bloc, and we would have to move toward a free trade area.

Representative REUSS. Thank you.

Mr. Kindleberger?

MR. KINDLEBERGER. I am happy to agree almost entirely with Mr. Roosa, except that I would demur a little bit when he implied agreement with your suggestion that the most important of these three was international monetary reform.

I am not impressed by international monetary reform. I have tried to indicate that it is much better to have effectively functioning international capital market which does the job, than monetary reform, a sort of Rube Goldberg international monetary machine, with the three kinds of money: gold, dollars, and then the funny stuff. Three sorts of money are going to make the Gresham law problem much worse than it is now with two, but that is a separate issue.

But let me go back to your positive remarks. An economist who has been before your committee, Harry Johnson, said once some time ago, and it was food for thought, that if the Kennedy Round were to collapse, there would be a movement against one of the two aspects of it. The Kennedy Round and the Reciprocal Trade Agreements Act of the United States going back to 1934, have two underlying principles. One is reciprocity and the other is nondiscrimination. And he said one of these is going to collapse, and it is going to be nondiscrimination. We are going to discriminate. But any economist would say that if you have to choose you should forget reciprocity and cling to nondiscrimination.

In 1963 when De Gaulle closed the door to the Common Market in the British face, I heard many people say, let's join Britain in a common market right away. But it is not clear that the British want to. We are industrially more powerful than they. Nor do the Canadians want the kind of free trade area you speak of.

Whether we could effectively operate a closed dollar bloc with, as Mr. Roosa says, a fairly elaborate foreign exchange control is a question. If Latin-America were in it, if this were a Monroe Doctrine sort of thing, you would find that there would be a Latin-American gap of some size, as there is now in the Bahamas, and so on.

I don't think this is very feasible. I don't think it is very attractive. I don't think, in other words, that the United States in its foreign policy is ever going to turn inward to the point where it forgets what goes on in Asia, Africa, and Europe; and I don't think it is appropriate in our economic affairs that we should try to achieve the same