

have been. We can't run the experiment over again without it, unhappily, or happily.

What I am suggesting is that the Federal Reserve System doesn't really know with any great care exactly where the breaking points are, what straw breaks the camel's back, and here is a machine, if I may pursue the analogy a little further, which removes some of the weight off of the camel at the time when the camel's knees were beginning to look wobbly.

Senator JORDAN. You are not concerned so long as confidence remains in the dollar?

Mr. KINDLEBERGER. No, sir. In this particular case we were bringing back dollars that were abroad. These dollars are useful to us. In our Department of Commerce accounting, we say that assets abroad are not useful to us. We say they are lost. They are not counted against any liabilities we owe. We say every asset is frozen and every liability is about to be presented tomorrow. So that if we have an increase in assets and an increase in liabilities, this is regarded as a deficit. Now, I say that is absurd, and the fact that these dollars are useful to us is illustrated by the fact we brought \$2 to \$3 billion home in a month. That suggests that the system works pretty well, that these dollars we had abroad were not frozen. They were available. The Euro-dollar market was an effective means of tempering an excess of domestic monetary deflation if you like.

Now, Mr. Martin might have properly claimed—and by the way central bankers all over the world claim it—that the existence of international short-term capital flows means that they lack control of their monetary policies, and that is true. But sometimes if their control is exercised without the perfect knowledge of where all the breaking points are, this may be a good thing. I say we are lucky to have had this money to bring back home.

Senator JORDAN. Do you agree, Mr. Roosa?

Mr. ROOSA. I can't give a "yes" or "no" answer, Senator. The fact is as Professor Kindleberger indicated that the inflow of those dollars at that time, provided relief from a strain that was otherwise at that time, I believe, becoming unbearable. If that supply had not been available, I suspect that the way in which Federal Reserve policies were formulated and imposed would have also differed, so that the interactions are a little hard to sort out.

I would go one step further though to say I think it will always be true that short-term money flows have to be taken into account in the formulating of monetary policies. They are going to have to have something to do with the formulating of monetary policies designed to accomplish their purpose within any country. That is the meaning that I attach to what I call operation twist in the present circumstances, which I think does make some sense as a technical proposition. So that I won't go all the way with Kindleberger, I would say that these flows at some time relieve some strain. The outflow, as is occurring now, will not impose any great domestic strain, because monetary policy is itself easier, providing the offset for that loss of reserves. It will, however, show up, or some of it will, in a rather sharp reversal of balance-of-payments figures, and while all the figures are not necessarily alarming, and Professor Kindleberger is right in putting some cau-