There has been speculation around the world that many major currencies were going to decline in value. There has been talk of the dollar to gold, there has been talk of the weakness of the dollar, of the pound, more recently the Japanese yen, the Australian dollar, and the French franc since the most recent episodes in France.

When you get to the bottom line, however, people talk around the world, they are thinking of the necessity of adjusting their currency in terms of the dollar. When they talk about the weakness of the pound they are thinking about the weakness of the pound in relation to the dollar. When they talk about the weakness of the franc it is in relation to the dollar.

Discussion of the weakness of the yen concerns Japanese involvement with respect to reserved currency holding of sterling. Recently when the Japanese expanded their trade with China, prompted by French persuasion they entered into an arrangement with China to have the franc be the settlement currency whichever way the balance went. For the first time the French franc became an international currency for settlement of other than French affairs.

I personally queried the trade negotiator on this matter and did not get an answer. Perhaps this committee could obtain an answer. Looking ahead beyond everything that has been indicated in conjunction with the Kennedy round, there is a realistic international problem as to the relationship of balances of trade and values of currencies to the dollar.

The approach which many countries are attempting to use and which has been used in the past is to devalue in relationship to the dollar.

Any future devaluation puts all U.S. industry in a much weaker competitive position. Would you not agree, sir?

Mr. Curtis. I certainly would.

Mr. Darman. Secondly, more recently the economists who have been looking at this problem have been saying, "Well, the answer lies not in the area of a new devaluation from $2.40 for the pound to $2, but rather in an approach that says, 'let these currencies float and just let them seek their own level in international trade.' "

This may be economically defensible and I think a case can be made for some of this but, gentlemen, I submit to you that the only protection for orderly international trade which can exist in the face of floating currencies must be some kind of international arrangements that provide for quantitative restraints because without these the flood gates are open. We who are holding the currency against which all other countries except the West German mark and the Swiss franc are pegged will be those who suffer the most, and this applies not just to textiles but to all U.S. industry.

Mr. Curtis. I couldn't agree with you more. In fact, that is one of the reasons that for years I have been trying to plead unsuccessfully for us to maintain the integrity of the dollar. I am afraid that your logic is sound, that if you do not have an international medium of exchange that has credibility, you do move into the area of quantitative restraint. I think I can picture in my own mind's eye what that means in world trade. It means going backward eventually leading to the barter system.

I would at any rate appreciate further points on the Kennedy round. I would like to leave this issue now, and if you care to, you can submit