

NEXT STEPS IN INTERNATIONAL MONETARY REFORM

MONDAY, SEPTEMBER 9, 1968

CONGRESS OF THE UNITED STATES,
SUBCOMMITTEE ON INTERNATIONAL EXCHANGE AND
PAYMENTS OF THE JOINT ECONOMIC COMMITTEE,
Washington, D.C.

The Subcommittee on International Exchange and Payments met, pursuant to notice, at 10:05 a.m., in room S-407, the Capitol, Hon. Henry S. Reuss (chairman of the subcommittee) presiding.

Present: Representatives Reuss, and Moorhead; and Senator Proxmire.

Also present: John R. Stark, executive director; John R. Karlik, economist; Douglas C. Frechtling, minority economist.

Chairman REUSS. Good morning. The session of the Subcommittee on International Exchange and Payments will be in order.

This session was called largely because of the upcoming annual meeting of the Board of Governors of the International Monetary Fund here in Washington from September 30 to October 4.

We believe this meeting offers an appropriate forum to consider next steps in international monetary reform. We rejoice that the special drawing rights amendment is now before the member nations of the IMF for ratification, but even the ratification and distribution of SDR's will still leave a number of vital international monetary issues unresolved and demanding immediate attention.

Among these are the current ambiguity about the future of the international monetary role of gold; the obvious need to facilitate adjustments for the elimination of payments deficits, and the threat of possible large scale conversions of sterling reserve balances into dollars and of dollar reserves into gold.

We hope this morning to discuss specific suggestions to deal with these problems, and we have before us three internationally known experts in international monetary affairs, Prof. Fritz Machlup of Princeton; Mr. Edward M. Bernstein, former Director of Research and Statistics of the IMF, and Prof. Robert Mundell of the University of Chicago.

We hope via the U.S. representative to the meeting of the Board of Governors of the International Monetary Fund, Secretary of the Treasury Fowler, to present a number of suggestions for action when the Governors meet at the end of this month.

I regret that our senior colleague on the minority side, the Honorable William Widnall of New Jersey, was suddenly taken ill last night, and while he is now feeling all right, unfortunately cannot be here this morning. He has submitted a statement, and without objection it will be received in full in the record, and since it is brief I shall read it.