STATEMENT OF HON. WILLIAM B. WIDNALL, A MEMBER OF THE SUBCOMMITTEE ON INTERNATIONAL EXCHANGE AND PAYMENTS

"Mr. Chairman, I think this one-day hearing can prove to be very useful and certainly very timely, in view of the nearness of the annual meeting of the International Monetary Fund here in Washington and discussions likely to be held on the question of gold.

"By now it should be clear to all that on one major point involving the March 17th Agreement on gold the chairman of the subcommittee and I are in complete agreement; namely, the need to avoid any new arrangement which would in any way reconstitute the $35 per ounce floor on free market gold.

"One day after the March 17th Agreement, I stated publicly my complete support for the changes made by the former Gold Pool members and my feeling that this move toward demonetization of gold was of truly historic proportions. Nothing has transpired since that time to have altered my opinion. One will recall that there were many predictions by monetary experts that the free market price of gold under the two-tier arrangement would skyrocket. This has not happened. Others predicted that any substantial divergence between the free market price and the monetary price would freeze and immobilize monetary gold reserve stocks. This, too, has failed to materialize and in fact during the period since March 17th nations whose economies were under severe strain have managed without hesitation to defend their currencies, aided by the orderly transference of gold and other reserves to monetary authorities who assisted in their defense.

"With this history of success, it is indeed unfortunate that there has been serious discussion of re-creating a floor and a protection for speculators and hoarders by those who feel that there must be an accommodation with the gold producing nations for the sale of their newly mined gold. The rumors persist that pressure will be brought to bear at the September IMF meeting to institutionalize a system whereby gold producers will be assured of a minimum free market price around $35 per ounce by systematic purchases by the International Monetary Fund. Both the chairman of this subcommittee and myself vehemently oppose any such arrangement, and both of us were heartened by the vigorous support for our position recently stated by the Secretary of the Treasury, Henry Fowler.

"Nevertheless, since reports of efforts of an IMF accommodation for gold producing nations persist, I would like to suggest a possible solution which at the same time would conform with the U.S. position firmly in support of the principles of the March 17th Agreement.

"At the outset, it should be stated that the United States is not necessarily in a position of weakness as we near the September IMF meeting, for it is within our discretionary power under article IV, section 4(b) to so advise the Fund that the United States no longer feels obliged to purchase all gold offered for sale at $35 per ounce. It is my understanding that the United States would be perfectly within its rights to advise the Fund that it would purchase gold only at its option until such time as the members of the Fund conform to the principles established in the March 17th Agreement.