

Now, Mr. Chairman, I have taken much time for my digressions. If you want me to come quickly to the four proposals I will be glad to do so.

Chairman REUSS. Please.

Mr. MACHLUP. I shall comment first on the price of gold. I believe that the central bankers and monetary authorities will not want the price of gold to come down to what gold might really be worth if none is bought for monetary reserves, and some perhaps is sold out of monetary reserves—that is, they will not want the price to come down to \$25, or \$20, or \$15. They have an interest in not having their reserves become worth less and less and less.

We cannot, therefore, expect them to sit by and let the price of gold decline without doing anything about it. So we must allow them to do something to maintain the price of gold at some level. I don't even know whether you can talk them into letting the price of gold drop to \$30 an ounce. Their balance sheets would look bad: they would carry gold at a higher price than it sells in the market, and they might not like that.

Hence, you either have to educate them and talk them into taking that loss or you will have to accept some plan of preventing the price of gold from dropping below some limit that they will tolerate. Whether you can persuade them to let the price come down to \$30 or \$32 or \$33, I do not know. They certainly should accept \$34, for that would not be too much of a spread. My personal taste would be for a price lower than \$34. But we would have to leave that to negotiations.

So I endorse the plan of Professor Mundell that there ought to be a spread between the buying and selling price of the International Monetary Fund. If that spread can be wider, all the better. My preference would be for a spread of \$10 an ounce, that is, a price of \$30 for buying, \$40 for selling. But I am afraid the central bankers of many countries will rebel, and we shall finally have to settle for a smaller spread, perhaps \$33–\$37 or \$34–\$36, or something of that sort.

The pooling of reserve currencies is one of the most urgent things that we have on our agenda. Some scheme is now being discussed about the pound sterling, and the sooner we can get the discussions widened to include the dollar the better.

Now, if one visualizes some gold pool activities, or IMF activities concerning gold, and also recognizes the need for doing something about the reserve currencies, one had better combine both in the type of pool that Bernstein, Mundell, Triffin, and myself have proposed.

So let us get going and discuss the principles of reserve pooling, but we cannot here discuss the details of pooling. That should be done by a committee of experts appointed by either the Group of Ten or the International Monetary Fund. As you recall, the Ossola report was a committee of the Group of Ten, but I think nowadays it might be better to have a committee of the International Monetary Fund do this.

I, therefore, am very happy that you, Mr. Chairman, and Congressman Widnall are willing to propose that the joint committee ask the Treasury that this idea be made subject of a study and report by the IMF.

Finally, we have to get something done about widening the band for exchange-rate deviations from the par values.