

Our two proposals—to widen the range between the support points and to allow gradual adjustments of par values—do not go beyond what most proponents of the Bretton Woods Agreements had in mind. The need for this limited flexibility of exchange rates was generally recognized at the time, but the provisions that were formulated have proved impractical and therefore have not been used by countries even when their exchange rates had become clearly unrealistic.

The undersigned now join in advocating these reforms. While we differ among ourselves on what each of us considers the ideal set of rules and institutions, all of us hold that the alterations we propose would constitute a great improvement over the present situation. We submit that the increased flexibility of exchange rates under these rules would go far in solving the problem of adjusting future imbalances of payments. In addition, some of us believe that this flexibility might also reduce the demand for foreign reserves and would in this way contribute to solving the problem of international liquidity.

The alterations of rules which we propose are designed to deal with the long-run problem of preventing future disequilibria among the industrial countries. They are not suited for the elimination of large imbalances already in existence, nor for the problems of many less developed countries which need stronger medicine:

Wilhelm Bauer, Chairman, Council of Economic Experts, German Federal Republic.

Professor Richard E. Caves, Harvard University, Cambridge, Mass.

Professor Alan C. L. Day, London School of Economics and Political Science, London.

Professor William Fellner, Yale University, New Haven, Conn.

Professor Milton Friedman, University of Chicago, Chicago, Ill.

Professor Herbert Giersch, University of the Saarland, Saarbrücken.

Professor Gottfried Haberler, Harvard University, Cambridge, Mass.

Dr. L. Albert Hahn, Paris.

Professor George N. Halm, Tufts University, Medford, Mass.

Professor Alvin H. Hansen, Harvard University, Cambridge, Mass.

Professor Arnold C. Harberger, University of Chicago, Chicago, Ill.

Professor Hendrik S. Houthakker, Harvard University, Cambridge, Mass.

Bertrand de Jouvenel, S.E.D.E.I.S., Paris.

Professor Harry G. Johnson, University of Chicago, Chicago, Ill.

Professor Friedrich A. Lutz, University of Zurich, Zurich.

Professor Fritz Machlup, Princeton University, Princeton, N.J.

Professor James E. Meade, Christ's College, Cambridge, England.

Professor Allan H. Meltzer, Carnegie Institute of Technology, Pittsburgh, Pa.

Professor Lloyd A. Metzler, University of Chicago, Chicago, Ill.

Professor Fritz W. Meyer, University of Bonn, Bonn.

Professor Tibor Scitovsky, University of California, Berkeley, Calif.

Professor Arthur Smithies, Harvard University, Cambridge, Mass.

Professor Egon Sohmen, University of the Saarland, Saarbrücken.

Professor Ingvar Svennilson, University of Stockholm, Stockholm.

Professor Jan Tinbergen, Netherlands School of Economics, The Hague.

Professor Jaroslav Vanek, Cornell University, Ithaca, N.Y.

Professor Michel Woitrin, University of Louvain, Louvain.

Chairman REUSS. The Joint Economic Committee has at many times in the past made bold to give some advice. Some of it has been taken, some of it has not. The annual meeting of the International Monetary Fund offers a real opportunity for the treasurers and central bankers of the world to do something about the remaining critical problems of the international monetary system, problems which all of the witnesses in their statements have designated as relating to the question of adjustments and the question of confidence.

I would like to put to the members of the panel the following scenario. Suppose that the Board of Governors of the International Monetary Fund, duly convened in Washington later this month, take the following action. Suppose, first, they by resolution take note of the fact that only 10 of the 109 member countries have so far ratified the special drawing rights proviso, and call on members to accelerate their