

ratification procedures, with the goal of at least completing ratification by the end of this year, 1968.

Suppose, second, that the Board of Governors by resolution commit all of the IMF members and the IMF itself to abide by the March 17 two-tier gold price system. In conjunction with continued application of the March Washington agreement, suppose that the Governors also provide in the immediate future—say before the end of 1968—some sort of voluntary facility within the IMF whereby member countries that wanted to could turn in their gold to the Fund at \$35 an ounce if the market price, in the judgment of the Managing Director, was about to go below that level. Such a provision, it seems to me, would only represent fairplay. If you are going to ask members to avoid the profitmaking opportunities of selling gold in the present market at over \$35 an ounce, you perhaps also have to do something for them to prevent losses in the event of a price decline.

Third, suppose that the International Monetary Fund's Board of Governors by resolution set up a special commission, to work in conjunction with the Executive Directors and the Managing Director, to propose the kind of reserve pool which has been discussed by all of you gentlemen. Such a pool would consolidate the present variety of international monetary reserves—gold, dollars, and sterling—and replace them with a single IMF guaranteed reserve unit, whether this be called a reserve settlement agreement, an international monetary pool or some other name. The Commission, I suggest, would report back to the Board of Governors in a year at its next annual meeting in September 1969.

And, fourth, suppose that the Board of Governors set up a similar commission with a similar timetable, that is, to report back at the next annual meeting in September 1969, to consider whether the existing relatively inflexible exchange rate system should not be modestly modified so as to provide a band in which exchange rates might fluctuate, let us say, up to 3 percentage points on either side of parity.

In suggesting these four possible resolutions, I have attempted to concentrate on those immediate problems which, if ignored, might in the judgment of many of the members of this subcommittee, expose the world to further crises of the kind that we so narrowly weathered within recent months.

I now would like to ask each of you gentlemen in turn for your reaction to and comments on this proposal for action by the IMF, both in terms of whether you agree that initiatives of this type would be in the interest of world monetary stability and whether you think that perhaps the agenda needs to be augmented.

Who would like to react first?

MR. MUNDELL. Let me begin. I think it is important to keep clear the distinction between the gold margins and the exchange margins. The gold margins have to do with the fluctuations in the price of a basic international asset. But as our exchange system operates, the dollar is the intervention currency and other countries operate in the exchange markets relative to the dollar. So we are really dealing with two separate problems when we are dealing with the gold margins and the exchange margins.

As long as the dollar remains the major intervention currency I think they should be kept completely distinct.

With respect to the gold margins, I do think that it would be a great contribution, if there was a committee that investigated that, and, in