

actual margin in its rules, and it has changed that rule at various times. I don't think there is any legal provision that would prevent the Fund from setting a wider band for gold dealings by members.

The problem of what the Fund itself can do is much more complex. The Fund itself is mentioned as a dealer in gold in connection with a half dozen different types of transaction with members. There is a provision that the Fund may buy, if it wishes, newly mined gold from a member when it is offered to it.

There is no obligation, in my opinion, on the Fund to buy it. I am not passing on the question of whether it would be desirable or not. There is no obligation, in my opinion. It wasn't intended to be an obligation, as such. Therefore, no price is stated at which the Fund should buy newly mined gold from a member. It merely says a member shall offer it to the Fund when it can with equal advantage.

Chairman REUSS. May I interrupt you at this point because I think you are making a very crucial point. It is your testimony, Mr. Bernstein, that in your judgment the International Monetary Fund is not legally obligated to buy newly mined gold from any member country?

Mr. BERNSTEIN. Not under the provision which says a member shall offer newly mined gold to the Fund when it can do so with equal advantage. The Fund could quote any price it wants for the gold or even say it doesn't need the gold. This provision, which was just put in as a sop to the Fund by Keynes, doesn't have any real economic significance. As a matter of fact the Fund once told a member "stop offering us gold for sale," in New York in the late 1940's, "because we can't really offer you a better price than you can get by selling it to the United States."

If there were a legal obligation on the part of the United States to buy gold when offered to it by a member, not in connection with the transactions I am going to mention later, the Fund wouldn't have said "don't offer it to us." It would have had a standing price quoted which would have been lower than the New York price of the Federal Reserve Bank of New York. But it actually told members to stop offering gold to the Fund because it could not quote a better price than the Federal Reserve Bank of New York was paying as agent for the U.S. Treasury.

I think we can set that aside. We can't speak with the same assurance on other gold transactions of the Fund.

The Fund has certain transactions with a member in gold which are obligatory. It is not a question whether a member shall offer gold to the Fund, it is obligatory to pay in gold. A member must pay a certain proportion of any increase in its quota in gold. A member must repurchase, repay, reserve credit it got from the Fund in gold and other eligible currencies. A member of the Fund must pay charges in gold, unless it is exempt because it has little or no gold holdings. Now, these transactions must be at \$35 an ounce because one of the first principles of the Fund agreement—and this is explicit—states that transactions with members shall be at parity. I don't think the Fund can say "we will only take gold in repurchases at \$33 an ounce."

Members have an obligation to take gold from the Fund also, and that includes the United States, when the Fund needs their currencies for its operations. Whenever the International Monetary Fund finds that its holdings of a member's currency are inadequate for its