1 percent. But I would not forbid any country from accepting the rule that its currency could go to 6 percent of the parity on either side.

We could even do something more with the band, but it would require some further thinking through. I would make the dollar unique in this system. And here is how I would make it unique, not by exempting it, but I would permit the range to be measured as not more than 5 percent from an agreed currency announced by the member. So that any country could say it will allow its exchange rate to move within a range of 5 percent from its dollar parity. This would, in fact, allow a little more freedom, because if the mark can appreciate by 5 percent from the dollar, and sterling or the franc can depreciate by 5 percent from the dollar, we might have a little broader range for fluctuations of rates for currencies, other than the dollar, relative to each other.

Chairman REUSS. You are talking about 5 percent either way, a total of 10 percent?

Mr. BERNSTEIN. Yes, 5 percent either way from parity with the provision that a country can announce that its test for this movement shall be the exchange rate with some currency they will specify. Most countries, if not all, would specify the dollar.

Now, I am not trying to argue in favor of this at all. As I have already said, I disagree with the proposition that the adjustment process hasn't worked. It hasn't worked well enough to offset the inflation in the United States. But then the plain fact of the matter is that there is no way to offset inflation, steady inflation, if you have fixed exchange rates; and beyond that, a steady inflation in the United States must either tend to become the inflation for the world or we can't have a system of fixed exchange rates. This is a very unhappy conclusion but it is one I came to some years ago. I submit for the record a paper I wrote 2 years ago, "The Bases for International Monetary Stability."

(The paper referred to follows:)

THE BASES FOR INTERNATIONAL MONETARY STABILITY

(By Edward M. Bernstein)

Monetary stability and economic policy

This generation has seen a revolution in the objectives of economic policy. Until 1931, it could reasonably be said that the primary objective of economic policy, at least among the large trading countries, was the maintenance of the gold value of the currency. The monetary authorities were also concerned with minimizing cyclical fluctuations in production and employment, and this had the effect of moderating short-term movements in prices. But this aspect of monetary policy was distinctly subordinate to the primary objective of maintaining the gold value of the currency. The great depression shifted the emphasis to the use of all instruments of economic policy, fiscal as well as monetary, to attain a high level of employment. The postwar period has added another dimension to the objectives of economic policy—accelerated economic growth.

This is not to say that most countries are indifferent to the importance of monetary stability. It is universally recognized that inflation is a serious social and economic evil. Nevertheless, when there is said to be a conflict between monetary stability and other objectives of economic policy, the choice is in favor of maintaining high levels of employment and economic growth, although even on this there have been some notable exceptions. In most instances, the supposed conflict is imaginary. If economic policy were properly conceived and promptly implemented, there would seldom be a conflict between monetary stability and other objectives of economic policy, for monetary stability is conducive to high levels of employment and to sustained economic growth.