

Mr. BERNSTEIN. No, no.

Mr. MUNDELL. Or a price in a controlled market, in one of the black markets. It was not a New York price. It was a price in one of the European markets, and Europeans had exchange controls.

Now, after exchange convertibility in 1958 and 1959, and after the London gold market opened up in 1954, everything became different. Now, today, the Karachi price or the Bombay price is \$65 an ounce; and that is something quite different.

I differ in one sense from Mr. Bernstein. He thinks that the price of gold is going to go up gradually over the next few years. I do not believe that is necessarily the case. I believe that what will happen to the price of gold will depend to a greater extent—than what his remarks implied—on what central banks, in fact, decide to do about the system.

They can determine the price for the next 15 or 20 years if they want to, maybe 30 years—barring some rapid new inflation in the system. But as things now stand, central banks do not want to get rid of their gold; and, while they do not want to get rid of their gold, they feel illiquid, which means that the only kind of reserves they want to use—and this follows simply Gresham's law—is dollars. If I am right, they will attempt to acquire balance-of-payments surpluses and then use these surpluses, which they collect in dollars, to try to get gold at the U.S. Treasury.

Now, the U.S. Treasury will certainly take all the steps it can not to sell gold at \$35 an ounce. Whatever formal agreements are made, it is the informal agreements that are really going to count.

I do not really think that the U.S. Treasury is now selling gold at \$35 an ounce, really, as it is legally committed to do under the Articles of Agreement.

I do believe that gold is immobilized now. Effective international reserves have been drastically reduced not just by the devaluation of the pound sterling—which Mr. Bernstein, as I recall his testimony last November brought up—but also by the immobilization of their gold assets. Countries will begin to act increasingly like deficit countries, and that will have serious consequences even over the next 2 or 3 years.

Mr. BERNSTEIN. Mr. Chairman, I am afraid I have to enlighten my former colleague, Bob Mundell.

What I find astonishing is that he starts with the assumption that I am unsophisticated whereas he is fully sophisticated on these questions.

Mr. MUNDELL. No, no. You made a remark, Mr. Bernstein, and said that—

Mr. BERNSTEIN. That is what I am directing myself to.

Mr. MUNDELL (continuing). I had made a casual reading of the Articles of Agreement of the Fund in order to see whether the Fund was legally committed to buy gold. That was not a casual reading at all.

Mr. BERNSTEIN. You said that.

Mr. MUNDELL. I was referring to Article V-6.

Mr. BERNSTEIN. I am sorry, you said a quick reading of the Articles of Agreement; it is your language.

Mr. MUNDELL. No, it was not a quick reading.

Mr. BERNSTEIN. It is what you said.