Mr. MUNDELL. A quick reading of an amendment to the Articles. That is a different thing from a quick reading of the Articles. I have spent several years trying to understand what they mean. They complicate things.

Mr. BERNSTIEN. Do you want to discuss the Articles of Agreement and what they mean or would you like to get clear the question of what the two-tier gold market was from 1940 to 1953? The two-tier gold market existed from 1940 to 1953, when I was at the Treasury part of the time and the IMF part of the time.

I am well aware of the fact that $60 at the official exchange rate in rupees is not the same as the dollar price of gold.

The price of gold that I am quoting, and that went as high as $53, was a dollar price; that is to say, it was determined as follows: It was either quoted directly in dollars in Tangiers, or in New York, or it was converted into dollars at the official exchange rate for Swiss francs, in the Zurich market. I refer you to the table on gold prices in the paper I submitted.

The rates that I am talking about, the prices I am talking about, therefore, were prices in which the seller got dollars. In the case of New York, the American smelting firms were authorized to take in gold ores from outside the United States, refine them on consignment, and then sell the gold for dollars for export. When I speak of a price up to $53 an ounce, I mean the price quoted by the big American smelting companies for export of gold, f.o.b., New York.

Now, I come to the second question——

Mr. MUNDELL. Let me answer that.

Mr. BERNSTEIN. Let me answer the rest of the question because it may answer what you have in mind.

Mr. MUNDELL. No; it is something quite different.

The system has changed since 1953 in this sense, that in 1953 central banks believed that any dollars they held were freely convertible into gold.

Since 1960, or at least since 1968, that is no longer the case. That makes a fundamental difference in the operation of the two-tier system. Gold was not put at the bottom of the heap as it is now.

Mr. BERNSTEIN. I am not arguing about gold being at the bottom of the heap.

Incidentally, there were no exchange controls in Zurich and Tangiers, where the price was $50 an ounce. The exchange controls existed in some countries where the hoarders lived, and they paid even more than $50 an ounce, either in dollars or in their own currencies at the free rate, not the official rate of exchange.

But my proposition has nothing to do with the question whether there is or is not exchange control, which I regard as not really relevant to our question. It has to do with the proposition that if the international monetary system was not undermined by a private price of gold of $50 or more an ounce in the postwar period, I see no reason for thinking that it would be undermined today by a private price of $42 an ounce.

Professor Mundell, in his second intervention, touched on an important point. It is a point I was coming to, I might add, because it is the theme that runs through all my discussions of the private gold market and the monetary use of gold.