We ourselves, in all probability, would not ordinarily become the major intervenors in the exchange market. That is because the easiest way, in fact, with exchange markets all over the world, is to let the central banks of each country intervene in their markets with dollars, putting them in or taking them out as needed to keep the dollar rate within the agreed limits.

We expect the SDR's to work in the same way. We expect that when a country has a balance-of-payments deficit and has to meet it, it will first meet it in the exchange market by selling dollars and it will get the dollars by converting SDR's. They may sell the SDR's for other currencies, but the general expectation is that they will mainly sell them for dollars, and mainly to the United States, but they can sell the SDR's for dollars to other countries, too.

Mr. MACHLUP. May I make a clarifying statement?

Representative MOORHEAD. Certainly.

Mr. MACHLUP. In the last sentences, perhaps inadvertently, Professor Bernstein said that countries using the dollar as intervention currency may use the SDR's in the same way.

There is one difference, however. They can use the dollar as intervention currency in the foreign-exchange market, selling dollars to private banks and traders, and buying dollars from private banks and traders. They cannot do that with SDR's. They can exchange the SDR's into dollars only by dealing directly with other central banks. There is a difference between interventions in the exchange market and operations among central banks. The intervention only among central banks, this is a difference that should be mentioned.

Mr. BERNSTEIN. What I meant to get across is that central banks needing dollars for intervention in the exchange market would sell the SDR's not in the market but to each other for dollars primarily, but conceivably for other currencies, and when they do, incidentally, it is expected the rate at which they do it for other currencies will be linked to the rate for the dollar.

By the way, Mr. Mundell asks me to clarify a misapprehension I may have left you under. I do not think I did. The Conference at Bologna in January 1967, was financed by the Chamber of Mines of South Africa. Of course, no one here would think for a second that anything said at that Conference was in anyway affected by the fact that our expenses to that Conference were paid. I doubt that anybody would have thought that.

Representative MOORHEAD. Maybe it is good to have it on the record.

Mr. MUNDELL. They have brought out a book edited by Randall Hinshaw, called "The Monetary Reform in the Price of Gold," that is really a very useful addition to the whole discussion on this question. It was put out by the Johns Hopkins Press.

Mr. BERNSTEIN. And I think, just reading it would show it was completely objective.

Representative MOORHEAD. Do I understand that the three of you are in general agreement concerning this move toward greater flexibility in exchange rates? You may not all agree it should be five; perhaps it should be more or less; but you are unanimous about the principle?

Mr. BERNSTEIN. May I put it this way: I am a lot more conservative than these gentlemen who are very bold and farsighted. I would like to see the question studied.