

Mr. MACHLUP. That is all we want.

Mr. BERNSTEIN. I do not know if, in fact, all countries would use a wide range—many of them would feel the way Mundell does—that for them a smaller fluctuation, except in unusual circumstances is good enough for their balance-of-payments and preferable for orderly exchange markets.

Mr. MUNDELL. Well, I would like to clarify. I am even more conservative in this respect than Mr. Bernstein is on it. I did not sign the academic petition in favor of the wide margins with the sliding parity because there are enormous technical difficulties connected with the use of the intervention currency and various compounding systems of the kind that Mr. Bernstein referred to, and I would now respectfully endorse Mr. Reuss' suggestion that before we move as a general principle in this direction that a full-scale study be done on this and, perhaps, at the recommendation of the International Monetary Fund.

Representative MOORHEAD. Well I understand your testimony, Mr. Mundell, to be that insofar as the price of gold is concerned—our intervention in buying and selling it—you have, reached the conclusion that we should have a greater spread than we now have?

Mr. MUNDELL. Exactly, yes. I approach the problem of the gold margins quite separately from the question of the exchange margins. With respect to the gold margins I believe we should have a wider spread between the U.S. buying price and the U.S. selling price even for central banks.

Representative MOORHEAD. Is that the unanimous feeling of the panel?

Mr. MACHLUP. I am definitely in favor of that.

Mr. BERNSTEIN. I am not. As I think in my own discussion of what I would do with gold, I would let the gold question go to its natural solution, which natural solution is to pay no attention to the free market, not to risk the prestige of currencies in bringing the price of gold down, but rather to take the view it does not matter.

When we get the gold reserves earmarked in a reserve settlement account, it will be easy enough for the International Monetary Fund to say that the logic of this is to require no central bank dealings in gold. I would not give two pennies for what then happens to the price of gold in private markets.

We may have differences of opinion as to which way the private price will go, but whichever way it goes, whether it is according to Professor Machlup's analysis or mine, the fact is it won't matter if we once get the gold reserves earmarked in the reserve settlement account.

Therefore, I regard this as raising an extraneous issue which frightens the conservative central bankers of Europe, makes them wonder whether there are tricks in a reserve settlement account. I would keep the monetary price of gold where it is at \$35 an ounce, without any change in the margin for buying and selling gold between monetary authorities. And I would move on to discussions with the Group of Ten on a reserve settlement account.

This is where their minds will be moving next, and I would like to persuade them on that without getting off to what I regard as a secondary issue best settled by the reserve settlement account.

Representative MOORHEAD. Thank you.