Now, getting down to the reserve settlement account or the pool or whatever name we give it, do I understand that for this to work that the nations must agree to put all of their reserves into the pool or reserve settlement account or can it operate with everyone required to put 51 percent of their reserves into the pool or settlement account?

Mr. BERNSTEIN. Well, actually—do you want to answer that? There may be a difference in different countries.

Mr. MACHLUP. I would say we should not quarrel about details and had better leave that to discussion within the next years.

I certainly would agree with Bernstein that the ideal would be to have all the gold and all the dollars and all the sterling, and perhaps also the SDR's, all in that pool; but there may be other views.

Some people may say that would be going too far and I should be willing to take half a loaf in this case. If they say, "We give only half of our gold," all right, let us start out with that, and let us hope that we shall get the other half quite automatically a few years later.

Representative MOORHEAD. Yes.

Mr. BERNSTEIN. I do not have any disagreement with this, because it is my own approach too. Let us not be dogmatic about what we want to do with the reserve settlement account except the objective. There we have to be firm.

Mr. MACHLUP. Yes.

Mr. BERNSTEIN. I have myself suggested—I started earlier, not today but some years ago—with a suggestion that all reserve assets be deposited, which means that a country would have given up its title to these specific assets.

I have moved on to the concept of earmarking them, which means countries retain title, and every time they make a transfer of CRU's, they have implicitly transferred some of their specific reserve assets. But countries would get back the precise assets they put in minus the final settlement when they withdraw.

I have even had central bankers ask me, "Can't we just put in some of our gold," and my answer is, "We can find ways to do this if that is what you want, to earmark pro rata a part of your gold, dollars and SDR's; provided we understand that the rest of the dollars that you do not earmark are not suddenly going to be thrown on the market. If you are willing to have all reserve transactions in the form of a composite reserve unit, and you are willing to replenish your account of composite reserve units when you have run it down, then there is no harm in putting in one-tenth of all your reserve pro rata at the beginning and put in one-tenth when you run that down, provided there are no other reserve transactions outside the reserve settlemnt account."

Representative MOORHEAD. Thank you, Mr. Chairman. Thank you, gentlemen.

Chairman REUSS. On the point raised by Mr. Moorhead with respect to this differential buying and selling price of gold that, I forget what it was you called it; a gold band or something, this is all academic, is it not, as long as we have the March 17 Washington agreement, so that central banks cannot buy it anyway, so——

Mr. BERNSTEIN. They cannot sell in the free market.

Chairman REUSS. And they cannot buy.

Mr. BERNSTEIN. They probably cannot buy in the free market.