By and large, there might be a slight tendency for the less-developed countries who are short of reserves, and the United States and the United Kingdom which are short of reserves, actually to get proportionately more than the countries which are well supplied with reserves, like the Europeans. But any country which feels that even a 5-percent increment of its own reserves is not enough for it because it is short of reserves will have the same option it has always had to try to earn additional reserves, and I quite agree with you that——

Chairman REUSS. You cannot do it, though, under the proposed system.

Mr. BERNSTEIN. Oh, yes.

Chairman REUSS. How can it? Under the millennium where your only reserves are——

Mr. BERNSTEIN. It earns more CRU's.

Chairman REUSS. They are SDR's.

Mr. BERNSTEIN. If a country has a balance of payments surplus its balance of composite reserve units will go up. If it has a deficit its balance with the reserve settlement account in the composite reserve unit will go down. Countries will still gain and lose reserves to each other, but they won't be able to raid each other's gold reserves. This is what will stop. But their total reserves in the composite reserve unit will go up with a payments surplus and down with a payments deficit.

Chairman REUSS. But those countries that have their reserves decreased because somebody has been a more eager beaver than they, are going to be disappointed, are they not? They are not even going to get the 3 percent, which is the average.

Mr BERNSTEIN. Well, I think we have to go another step, Congressman, which is this: I think we must expect that countries excessively well provided with reserves will, some of them will, be satisfied with a smaller proportionate growth than others It is not having any growth which tends to frighten them as Fritz Machlup has well pointed out. They have to have some trend increase in reserves, but they do not have to have the same as another country. So I would say that if we had an adequate growth of total reserves through SDR's, I would not be troubled by the fact that Germany might find that because we want to build our reserves its reserves have only grown a little bit. But I will tell you what would disturb me. If in order to make sure that the attractiveness of SDR's is maintained by not having too many issued, the increase in reserves is brought down to 2 percent a year, then you would have so many countries feeling that the growth of their reserves is inadequate that they might begin to pursue more restrictive policies than they should.

If you had an adequate growth of total reserves for the system as a whole, we need not worry too much that individual countries would get allocations less than the average and others a little more than the average. I think they would get enough for their needs, if we had a 4-percent growth in aggregate reserves.

Chairman REUSS. Thank you very much.

Mr. Moorhead?

Representative MOORHEAD. No further questions.

Chairman REUSS. Gentlemen, we are most grateful. You have made a real contribution to our thoughts and the hearing of the Subcommittee on International Exchange and Payments now stands adjourned.

(Whereupon, at 1 p.m. the subcommittee adjourned.)