you have at the same time also a really workable gold pool, which you do not have now. The present gold pool, with seven countries participating, operates at the expense of the U.S. gold holdings. I doubt that effective harmonization agreement can be negotiated now. It would have been possible 2 or 3 years ago. Unfortunately, that opportunity was missed.

Approach No. 4 is the one that I regard as the best one, from an economic point of view. The most workable plan would be to pool all gold holdings and all foreign-exchange holdings in an international pool, perhaps maintained by the International Monetary Fund. The present danger is that dollars will be exchanged into gold, and the dollars thereby wiped out. I want to safeguard against this by an agreement under which all countries deposit their gold and their dollars and pounds in a central pool, maintained by the International Monetary Fund, and replace their reserve assets with the new deposits with the fund. These deposits would then be international reserve, and the central banks would hold no gold, no dollars, and no pounds.

This plan could not be negotiable except with certain provisions reassuring to some distrustful nations. First, the gold must not be held entirely on American soil. Otherwise the plan would not be credible. You would have to deposit some of the gold on French soil and perhaps some on other countries' soil.

Secondly, there must be no increase in dollar holdings or pound sterling holdings either by the new account of the International Monetary Fund or by any central bank. That means we must give up any attempt to finance a future payments deficit by accumlations of dollars by monetary authorities.

Well, whether this plan would be negotiable or not I do not know. I believe it could be negotiable if we proceeded skillfully. But if it proves not to be negotiable, I see only one way out, and that is the fifth and last approach, to cut the link between dollar and gold.

The aim is to avoid that, in a series of gold rushes and dollar crises, too many dollars are turned in against gold. If we cut the link, it would be a meaningful way of achieving the aim. Of course, the Europeans won't like it, but we should first offer them a chance to accept a better alternative. My plan No. 4 would be much better, and it is only with genuine regrets that we should resort to No. 5. But if No. 4 is not negotiable, then No. 5 is the only way out.

The other countries would have three possible reactions that we would accept with equal pleasure. They could say, "We stick to the present exchange rates, we do not want the dollar to be devalued." In this case, they would have to purchase and hold dollars, and we should have no objection to that if the dollar is no longer convertible into gold.

The second type of reaction—some countries could devalue the dollar in terms of their own currencies. They could say, "No, we do not want to buy too many dollars. Hence, we shall pay less for the dollar. We devalue the dollar by 5 percent, 8 percent, perhaps 10 percent." This would be all right for the United States, since it would help adjust the balance of payments. We should have no objection to that.

The third possibility is for countries to say, "We do not want to buy any more dollars and we do not want to fix the new price for the dollar. We do not know what the right price would be. We shall, therefore, let the exchange rate float." Again, I think this would be a very good solu-