I do not see any great psychological repercussions abroad. I think it is assumed abroad that we will do this. And I would certainly agree that we should do it and do it with the greatest dispatch and the least argument possible.

Mr. BEHRMAN. Yes. I would only add that from the domestic standpoint we have already made the largest step, and that is the removal of gold from the credit liabilities of banks. Gold does have a role to play internationally. Unfortunately what we have been saying for the past 8 years is that it is too precious to permit it to play that role. That, I think, is the big contradiction. We should release it, and we should let it play its role.

Representative RUMSFELD. Then none of the three of you see any legitimate arguments in opposition to this proposal? Could I ask Mr. Behrman and Mr. Butler to comment on Mr. Machlup's proposal on page 27 where he, as you will recall, recommended the fourth approach, and in the event that the leverage from the threat of the fifth was insufficient to achieve the fourth, then his position that the fifth should be the course of action for this country.

Mr. BEHRMAN. Let me say that I agree in principle with the value of this fourth proposal, that is that the best way to use the gold that we do have, and to shore up its international strength, is to put it in a common fund.

The thing which has caused gold to give us so many problems in terms of the rise in price is its redirection over the past several years and its sources of new supplies—South Africa and Russia. The fact that some countries have piled it up has made it even more difficult for us to adjust the price, because it creates inequities for countries that went along with us and did not demand the gold. Therefore, to remove this type of problem, the only thing to do with it is to put it in a common fund. It is even possible in my view to divorce official gold from private gold and, as I think Fritz was implying, not to increase the supply of official gold but just to leave it as a lump behind the international liabilities.

If that were done, it were put in a common fund, it seems to me at least that these special drawing rights would not have been needed, and would not now be needed, if you adopted Professor Machlup's fourth proposition. Having it in a common fund, and having no shifts between official and private gold, it would be even possible to raise the price of gold and, therefore, to provide additional international liquidity if and when it were needed, because then you would have none of the repercussions which we now face.

I would strongly agree that we should not raise the price of gold now.

As to the fifth point, as to whether we should use that threat, I myself would prefer a different tactic which I think is feasible, and that is to try to get ourselves back in the position which we held in 1964, of a very strong economy with a rate of inflation much less than in the other industrialized countries of the world. Make it quite clear that we intend to maintain the strength of the dollar, for it is really an internal strength that provides the external strength. What Europeans are saying is, "We do not think the dollar is going to be strong internally and, therefore, how can it play a strong role internationally?"