banker was very secure, and that the erosion of that position has been the cumulative effect of the balance-of-payments situation in the meantime. However, it would be possible that we could get a strong improvement of our balance of payments in the next 6 months and be in a worse position as an international banker at the end of it, or vice versa. And, in particular, the proposition that we must strengthen our exports relative to our imports, in order to strengthen our position as international banker—it is not totally irrelevant, but it does not bite very strongly on this.

It seems to me that basically our position as an international banker, with the gold-exchange standard based on the dollar, is unworkable at the present time. The only real remedy for that is to internationalize the role of banker in the gold exchange standard. So long as we try to run it as a unilateral U.S. banking operation, we are getting into a more and more difficult situation; even if the import-export situation improved, we would still have this hazard on our hands.

It is plain that if we could score a dramatic improvement in the balance of payments, which people could be sure would hold several years, our position as a banker would be strong. But we have got into a nasty situation which has much the same characteristics as the internal American banking situation before the Federal Reserve. If the foreign central bankers change the form in which they hold their reserves, or if some of their customers choose to transfer funds out of the financial center into the periphery, then a change in the composition of reserves produced a shortage of reserves.

We have responsibility, as the central banker, toward the other countries in the gold exchange standard. They have no reciprocal responsibilities toward us. The Federal Reserve System was set up to be responsible as the trustee of the reserves—but the member banks also took on a responsibility to keep reserves there. They no longer had the privilege of changing the composition of the reserves, taking cash home into vaults, and leaving the holder of the central reserve short.

The dollar-exchange standard was workable only temporarily; we are reaching the end of its workability, and this would be true even if the balance-of-payments situation was going to show a rather substantial improvement.

Representative Moorhead. Professor Hart, that statement you just made has helped me better to understand this than anything I have heard before.

Mr. Olsen. I have made some comments, previously, on how to improve the balance of payments. I would like to remark that, presently, we have two labor negotiation problems in the United States which are costing us a very substantial amount in terms of our trade-surplus position. One is the continuing strike in the copper industry, which is costing us somewhere in the neighborhood of $750 million to a billion dollars in additional imports of copper on an annual-rate basis that would otherwise not take place. The second in the steel industry, where the unfortunate and almost absurd situation of delaying settlement until some time in August when the contract expires, is inducing an inventory accumulation which is pulling imports in from overseas, and is estimated to cost us somewhere in the neighborhood of $500 million between now and midyear in additional steel imports.