

controls on capital outflow from here are a very unsatisfactory remedy for this underlying trouble.

Representative MOORHEAD. Of course, if we could promote a program of persuading the Europeans to invest in the equities in our market, this would be one way.

Mr. HART. The European is apparently much more willing to invest in equities in American companies than in European companies, because the whole situation is so much more transparent, and he really has more confidence in the management—or at least in the management's relationship to him as the minority stockholder with no control.

Representative MOORHEAD. A further development of the International Monetary Fund along the line of the special drawing rights would be an important step toward internationalizing our position as a world banker. Is that correct?

Mr. HART. Well, I would call this very much of a half measure. It seems to me what is called for is that countries should hold their reserves through the International Monetary Fund. The IMF should come to hold a large fraction of the world's gold, instead of holding \$3 of \$4 billion, and it should be assured against a gold run. When one talks about reciprocal obligations, it would be absurd to say all the other central banks should accept obligations toward the Federal Reserve. But they could accept obligations toward an international reserve pool; this is compatible with their national dignity. If we could transfer the U.S. gold exchange liabilities to the International Monetary Fund, giving them long-term claims upon the United States in exchange, then we could have a workable situation. The articles of agreement of the International Monetary Fund could be amended so that every country, including the United States, was under obligation to hold a good part of its international reserves through the monetary fund. This is something which cannot be done through any national central bank as focus. And the dollar exchange standard, it seems to me, is about played out. It is a miracle it has lasted this long.

Representative MOORHEAD. Thank you, Mr. Chairman.

Mr. OLSEN. I only wanted to ask, if time permitted, if I could take minutes—

Chairman PROXMIER. Take all the time you want.

Mr. OLSEN. Earlier, in your references to Mr. O'Leary, in commenting on the tax increase, and the slight slowdown in the second half of the year, I felt you reached a conclusion there. I would like to add to a point that Mr. O'Leary made in defense of his position, and I think partly in defense of mine, if I may.

Chairman PROXMIER. Yes, indeed.

Mr. OLSEN. Forecasting quarterly patterns is an extremely difficult thing to do. With a forecast for a 12-month period—you can reach a measure of success. But a quarterly pattern is a greater guessing game than the year would be.

As it stands, we have a slowdown in the second half, but not nearly as great a slowdown as Mr. O'Leary has in his forecast for the second half, although we have the same figures for the full year as a whole. Actually, the forecasts we have put together, and I think Mr. O'Leary would share my view, if anything would tend to err on the low side, because we have the possibility that consumption, personal consumption, would break out on the high side. The consumer is in quite a