

Given the delay, I landed in Bonn just in time to see Schmidt's plane take off for Paris. Forewarned of my arrival, he wanted to prepare a common position with the French. I stayed overnight in Bonn, and saw Schmidt and the Bundesbank president the next day. I got enough encouragement to travel to Paris and London and even Rome, where the currency market disturbances had originated.

Finally, at a Sunday midnight meeting at Giscard d'Estaing's apartment in Paris, a consensus was reached. The proposals with respect to exchange rates were agreed.

Moreover, there was no objection to George Shultz's position that, with a big adjustment in exchange rates, the United States could safely lift its controls on foreign investment and bank loans. (Our domestic wage and price controls and the 10 percent import surcharge had already been ended.)

I was disappointed by another point. The newly agreed exchange rates and gold price (\$42.22), in my view, would be highly vulnerable to renewed speculation. To convey a sense of confidence, we should be prepared to intervene collectively to stabilize the gold market: in effect create a new gold pool. That, unfortunately, was not agreed.

The Japanese had shadowed my trip to Bonn by sending a former vice finance minister who was well known to me. Once the Europeans confirmed the agreement, Japan did as well. My four-day odyssey spanning some thirty thousand miles was over. Secretary Shultz unveiled the changes, including an end to the interest equalization tax that I once helped write, on the evening of Monday, February 12, in Washington.

Most foreign exchange markets in Western Europe and Japan were closed on the day after the announcement. As they reopened, the price of gold held steady at first but soon jumped sharply higher without official resistance. By early March, speculative pressures against the dollar had grown strong enough to lead Japan and Western European countries to close their exchange markets once again.

The major European nations invited the United States to an emergency meeting in Paris on Friday, March 9. It turned out to be momentous. The morning session was spent largely by ministers