

EURO-DOLLARS, ONCE AGAIN
A CORRECTION

A statement in my article "Euro-Dollars, Once Again", published in the June 1972 issue of this *Review*, is in need of correction.

On p. 135 I confessed to the reader that in my first article on "Euro-Dollar Creation", published in this *Review* in September 1970, I had "missed the most notorious case of creating U.S. dollars outside the United States: the production of additional dollar reserves in the hands of monetary authorities". After this admission of my omission I went on to say: "But all articles and books published on the subject also had missed the story, and the first discussion in public print was in my article on 'The Magicians and their Rabbits', which appeared in May 1971". This claim of priority I must retract: not only was it grossly immodest but also manifestly wrong. Mr. Helmut W. Mayer had anticipated me in discovering and describing the multiplication of dollar reserves that occurred when central banks placed them in the Euro-dollar market.

In his essay on *Some Theoretical Problems Relating to the Euro-Dollar Market*, published in February 1970, Mayer discussed the practice of official dollar placements in Euro-banks and he correctly analyzed the expansionary impact both on the supply of credit and on official foreign-exchange reserves. He showed, in particular, that "when outright official deposits are made, the Euro-dollar market tends to inflate official reserves" (p. 13).

Since Mayer's essay was published under my personal direction in the Princeton series of *Essays in International Finance* I do not have the cheap excuse of not having seen it. I must have seen it, but evidently without absorbing and understanding these portions of his analysis. My lack of comprehension corroborates the suspicion that even a close reading of a closely reasoned argument sometimes fails to convey to the reader all the ideas that are expressed in the words and sentences which he perceives. I apologize to Mr. Mayer and to the readers of my article.

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