ments considerations. You go on to say this further tightening in monetary policy would be consistent with international balance-of-payments considerations.

Now, the two people in the country who are perhaps most responsible for monetary policy, particularly in relation to balance of payments, are Mr. Martin, of the Federal Reserve Board, and perhaps Mr. Roosa of the Treasury Department.

Mr. Martin earlier this year, in response to a question from this committee, said this with relation to this very question:

> Interest rates are necessarily a factor affecting the movement of funds—short term and long term—between the money markets and capital markets of developed countries. There is, however, no invariable relationship between relative interest rates in such markets and capital movements. While interest differentials can be an important factor in movements of capital, other factors also exert a conditioning influence. These other factors include the availability of credit, the supply of credit instruments of ready marketability, the demand for credit for borrowers of good standing, and—of predominant importance at some times—expectational and confidence factors.
>
> Capital movements are sometimes viewed in the narrow context of funds seeking liquid investment in prime market paper of short maturity. The differences that existed last year between money rates here and abroad on this kind of paper do not appear to have been a primary determinant of international movements of funds of this type.

Mr. Roosa has said almost the same thing. He also indicated that interest was not a highly significant factor in balance-of-payments considerations.

Mr. Gemmill, a very distinguished economist with the Federal Reserve Board, in an article I just put in the Congressional Record recently from the Journal of Finance, said exactly the same thing, only with more emphasis, saying that this was not very significant.

I notice that the statistics show that our interest rates are already substantially higher than they are in Germany, higher than they are in the Netherlands—and these are short term rates, which are most important—higher than they are in Switzerland.

And on the basis of all this data, it seems to me that to rely on international balance of payments as the only alibi for higher interest rates when we know that this does exert a restraining influence on the economy, is inexcusable.

And when the economy, as you testified so well, and everybody here has, is not moving fast enough, is not growing, and we have unemployment and excess capacity—it just does not make sense.

Now, how do you justify it?

Dr. WESTON. I think you misunderstood my statement. I was not advocating higher interest rates.

What I was saying was this: that I am talking to the Joint Economic Committee of Congress. And Congress, under our traditions, does not control monetary policy.

Senator PROXMIRE. Oh, bless you for saying that. And we should. The Constitution gives that power, as you know, in article I, section 8. And this is something we ought to stand up and insist on.

Dr. WESTON. Why do you not do it, then?

Senator PROXMIRE. I am glad you said that, too. The Federal Reserve Board is our creature. They are accountable to us.

Dr. WESTON. Being a practical person, I look at the facts of life, and I say that over recent years you have not exercised this preroga-