for a new international reserve unit. To kill the international capital market and to create a new reserve unit is to seize the shadow and throw away the substance.

More than this: the group of experts who wrote the Common Market report on the development of European capital market make the point very strongly that with fixed exchange rates, which they advocate for the Common Market, the freedom for transactions in goods and services, freedom of capital movements is necessary to make the balance-of-payments adjust. I agree. Where I would disagree is in the importance they attach to freedom of capital movements among the various constituent parts of the Common Market. So long as each country is joined after a fashion to the Euro-exchange market, largely the Euro-exchange market, largely the Euro-dollar market, and so long as New York is similarly joined, the international capital market can provide a mechanism for matching international payments. It will be a world loss and a national loss if our Government continues in its policy of escalating barriers between the United States and the international capital markets.

Thank you, sir.

Chairman PROXMIRE. Thank you very much.

Mr. Roosa, every economist and every witnees who has appeared here, including Chairman Martin of the Federal Reserve Board, has said that we need a somewhat easier money policy, prescribing that we get interest rates down, especially long-term interest rates down.

We are all familiar with the speech that you made, to which Mr. Kindleberger referred, in which you called the payments deficit coming up crucial to the dollar, and in which as I understand it, your position was that one reason for the great improvement, or the improvement that we may have had, was because of the tight money and high interest rates that we had in 1966.

How serious do you think the restraint the balance of payments places on our domestic monetary policy is? How serious do you think that is?

Mr. ROOSA. For myself I don't believe the restraint that is necessary for the balance of payments is going to affect, necessarily, at all the kind of ease that I would consider appropriate in the monetary policy for the whole economy.

First I should clarify a little the implication of my old commanding officer's remarks. He suggested that in my proposal, or at least seemed to imply in my appraisal, that I was arguing for——

Chairman PROXMIRE. Is Mr. Kindleberger your former commanding officer?

Mr. ROOSA. Yes.

Mr. KINDLEBERGER. Yes, indeed. I keep trying to preserve my authority, but it doesn't always work.

Chairman PROXMIRE. Try harder.

Mr. ROOSA. The only way he got me out of a pup tent onto a cot was to get me commissioned when we were in different circumstances, so you see I have to be very careful when I make any comment now.

But at any rate, what I am afraid he was implying was that I felt it was necessary to maintain high interest rates, regardless of the differentials or relationships which prevailed between New York and