Europe. On the contrary, I join him in applauding the efforts that are being made to gain greater harmonization between countries.

I don't think that it is going to prove possible, because it is an international capital market, for our shorter term rates to fall to the levels that we used to identify with a really easy money policy, the 1-, 2-, 2½-percent, short-term money rates.

I think that is partly because the worldwide demand, both for long- and short-term money, would create a tremendous outpouring from the United States, if we tried to bring the whole world capital market, following the Kindleberger framework, down to consistency with a 2-percent Treasury bill rate let's say. I think this is the kind of constraint on the structure of interest rates resulting from monetary policy that we have to take into account.

Chairman PROXMIRE. I want to try and bring you former service buddies together a little more. You say a 2-percent Treasury bill rate, which I don't think is Mr. Kindleberger's point.

Mr. ROOSA. No, no.

Chairman PROXMIRE. And at the same time he implied that this country pretty much settles international interest rates. Once he said we had a sovereignty in interest rates, and then again he implied we had a domination, that what New York did was more important to Europe than what Europe did as far as New York is concerned.

I take it that you would not necessarily disagree with his position on our domination—or would you—in international monetary affairs?

Mr. ROOSA. Well, in the sense that one may at any given time say that either the supply side or the demand side dominates an equation, I think you have to recognize here that both sides are important, and that the European pull on our market will be great enough so that we would have, in my view, a very large outflow of short-term money of the magnitude that we had coming in last year, if we tried to get our short-rate structure down, and to pull short rates down as Kindleberger has implied we might be able to do.

All I am trying to stress is that the interrelations are there, and I am trying to keep them in view, but we have to be a little more creative about the way in which the entire impact of monetary policy is exerted on interest rates as a whole. In my view, and here I am disagreeing with respect from views expressed by Governor Brimmer I guess just a day or two ago, but in my view it is entirely possible to maintain rates that will hold roughly a balance——

Chairman PROXMIRE. An international interest rate balance?

Mr. ROOSA. Yes, between markets between Europe and the United States, and at the same time have conditions of genuine ease in the all around capital markets in the United States, and I don't really see that this is an impossible technical goal.

Chairman PROXMIRE. Have we had much success with that, though? Didn't we try that? What you are saying as I understand it, for the record, is that you would favor perhaps a drop in long-term rates, and less of a drop in short-term rates.

Mr. ROOSA. Yes.

Chairman PROXMIRE. If the short-term rates, however, are high, relative to long-term rates, doesn't the capital flow to short-term rates?