very complex one. I'm not sure that I can trace it. I would say that up to the present time our deficit has not had anything to do with our unemployment figure because we have really not followed, in my view, any domestic financial policies which have had any measurable restraining effect on our domestic financial operations which could have kept down growth and therefore kept unemployment up.

We have done something in the short-rate, interest-rate field with an eye to the balance of payments. We have kept short-term rates up, but short-term rates have relatively little to do with growth until they get translated into longer-term rates, and the long-term rates have not gone up, it seems to me, any more--let's have it agree with the Federal Reserve view--than one would have expected from an economy which has been expanding pretty rapidly in the last two years.

Now, if we were to decide not only that the balance of payments deficit had to be reduced but that the only way to reduce it was to take more drastic action on the monetary side, then we could, by letting the balance of payments guide our policy or rather be the determining consideration in our policy, impose a degree of credit stringency on the economy for the sake of sending interest rates up and discouraging the outflow of funds which would, at the same time, have a restraining effect, or could have a restraining effect, on the domestic economy bwyond what the needs of the domestic economy, looked at alone, would call for. In that sense you would, at least temporarily, have link between our growth rate, our unemployment rate, and the balance of payments.