ment to veterans of over $2 billion. We expected that to add a lot of purchasing power and help the country because it would go into every nook and corner of America, as you know. Each veteran had an average certificate of $1,015. And yet, when payment was made it did not seem to have much of an effect and we were puzzled about it. But I soon discovered that when the money was paid, the monetary authorities for the first time in history doubled the reserve requirements of banks, which absolutely nullified the payment of that money and retarded the country.

The reason I bring that up now is that it occurs to me that we have a comparable situation. We have a situation where we want to do something to increase purchasing power among our people and the monetary authorities are, in effect, threatening to veto it through monetary policy; and they can do it. I can certify to that because I was a witness to it in 1936. They did it then. And they have the power to do it now. Have you thought about that prospective trouble?

Dr. HELLER. Mr. Chairman, as I tried to indicate in my statement, I think you are 100 percent correct in saying that the interrelationship of fiscal policy and monetary policy has to be kept in the forefront of our policy thinking. It is perfectly true that it is possible to nullify expansionary monetary policy by restrictive fiscal policy or vice versa.

It is a source of concern to us that in response to balance-of-payments pressures monetary policy has not been as easy—particularly in the last few months—as would be required by the domestic economic situation alone. I think that we must be extremely vigilant to make sure that any tightening on the monetary front is really a necessary response to the balance of payments and the gold outflow situation.

Chairman PATMAN. I think you will have to assess carefully what the monetary policy may do. You cannot guard against it because you do not have the power to guard against it. In effect, the Federal Reserve Board members have 14-year terms. I do not think President Kennedy has selected even one.

Dr. HELLER. One.

Chairman PATMAN. He has selected one. One out of six. Of course, the Open Market Committee is the most powerful group on earth. By law, it is composed of 12 members. Seven members of the Federal Reserve Board and five presidents of Federal Reserve banks. But in effect and in practice the 12 presidents of Federal Reserve banks come into this Open Market Committee, and they advise with them. Their views are sought and obtained at the meetings of the Open Market Committee and for all practical purposes they are full participants. So these 12 presidents of Federal Reserve banks are selected by representatives of the banks and the banks want higher and higher interest rates all the time.

I feel that we are in a little danger trying to bring this country back to full employment with a situation like that, where the monetary authorities have the power to veto what you do. I hope Congress gives some consideration to this question in the interest of full recovery and employment.

Senator Bush?

Senator BUSH. Mr. Chairman, during the previous 8 years I heard a great deal about the tight-money policy of the previous adminis-