

Chairman PATMAN. I remember that.

What I meant, Mr. Eccles, considering the fact that the Open Market Committee has complete charge of the portfolio, and the power to buy bonds and acquire \$25 or \$30 billion worth of assets, and that the Federal Reserve Board does not have such power, acting alone, it has more power than the Congress and the President, in a way.

It is true that the Federal Reserve Board has the power to change discount rates and change reserve requirements, but don't you think the greatest economic power of any body on earth is the power of the Open Market Committee today? So much depends upon monetary policies. Laws that we pass can be strengthened or their usefulness impaired by the actions of monetary authorities. That is true as to the actions of the President of the United States as well.

For that reason, don't you think that the Open Market Committee is really the most powerful group in the United States today?

Mr. ECCLES. In the field of money and credit, yes. That is the limit of their powerful authority. Now, I realize that certainly in the economic field that power over the supply of money influences the entire economy and is, of course, a very, very great power. You can restrict the growth of the supply of money. As a matter of fact, you could effectively stop the growth of the supply of money through a sufficiently tight monetary policy.

You can provide a very, very easy money policy. You can make bank credit available in an unlimited amount. But it doesn't necessarily mean that it will be used. During the 1930's there was a period when the large flow of gold came into the country, and the excess reserves or free reserves ran into the billions, and the Federal Reserve had used all of the power it had to increase reserve requirements, and there were still these huge reserves. It didn't get us out of the depression. The credit was not used.

At that time the interest rate went almost to zero. The Treasury stepped in and helped the Federal Reserve by sterilizing some of the gold that was being brought into the country. Instead of putting it in the system and adding further to the excess reserves, they sterilized it. That was an example that easy money, by itself, does not assure the economy is going to get out of a recession. I think it was Judge Goldsboro who at that time was not Chairman—

Chairman PATMAN. He was next to the Chairman.

Mr. ECCLES. He was next to the Chairman. He said to me at that time, "You mean you can't push on a string?" I said, "I think that is a very apt description of the effect of easy money under certain conditions."

Chairman PATMAN. May I clarify this just a little bit?

It is unfortunate that your views did not prevail to make the Federal Reserve Board the Open Market Committee. Then you wouldn't have people making monetary policy who are in a position to be persuaded to help the private bankers.

I feel it is unfortunate that we have members on the Open Market Committee who have been selected by the directors of the 12 Federal Reserve banks, two-thirds of which directors are selected by the bankers themselves.

I think you were right in your position on this, and I am so sorry it was not accepted. But in this agreement that finally came out of