Chairman PATMAN. Would it be fair to say that when the Federal Reserve made the vault cash available as reserves, year before last, when it might have engaged in open market operations, the Open Market Committee was looking for a way to expand the reserve base that would have a minimum effect on interest rates?

Mr. BRYAN. I wouldn't have assumed so; no. I am not sure that I get the effect of the question.

Chairman PATMAN. Prior to December 1961 the rate on 90-day Treasury bills remained at the 2¼ to 2½ percent range for a year. In December and January it rose rather sharply to about 2.7 percent, where it remained until late this past June. Would it be correct to say that during the latter half of the year 1960, the Open Market Committee pegged the minimum rate at 2 percent?

Mr. BRYAN. Of 1960, pegged it?

Chairman PATMAN. Yes.

Mr. BRYAN. At 2 percent? I do not believe we have engaged in a "pegging" operation.

Chairman PATMAN. At any time since the war years?

Mr. BRYAN. We have been deeply concerned about the possible effect, beginning in 1960 with the rapid outflow of funds, and with the possibility that the short rate might encourage the outflow of funds.

Chairman PATMAN. The upward adjustment of the bill rate last December and last January suggests some further moderate tightening with a deliberate upward adjustment in short-term rates. What was the reason for that apparent change in policy?

Mr. BRYAN. Will you read that again, sir?

Chairman PATMAN. Yes, sir. The upward adjustment of the bill rate last December and last January suggests some further moderate tightening with a deliberate upward adjustment in short-term rates. What was the reason for that apparent change in policy?

Mr. BRYAN. I don't believe there was a change of policy at that time, as I recall it. I think you may have a seasonal factor in there.

Chairman PATMAN. You are not conscious of any deliberate upward adjustment?

Mr. BRYAN. Not that I recall. I will have to stand on the record.

(The following was later received for the record:)

My inclination is to think in terms of total reserves, generally speaking, and to use other information as supplementary aids in judging the adequacy of the total reserve figure and the correctness of its trend. While I was not a member of the Federal Open Market Committee in 1961, in December total reserves, on both a seasonally adjusted and unadjusted basis, were well above the long-term trend line of 3 percent and seemed to me to provide an ample credit base for the expansion of the economy.

I find that the committee's position, as discussed in the published annual policy record for December 19, 1961, contained in the 48th annual report of the Board of Governors, describes its policy action and the reasons therefor.

Chairman PATMAN. Since June of this year, there seems to have been a further upward adjustment in both the short and long rates. Are you able to tell us, first, what the reasons for this apparent further change in policy were, and whether or not you were in agreement with the increase in rates since last June?