

Mr. BRYAN. There can be many reasons for a shift in rates other than what we have done. The demands in the market, the supply of savings in the market, the proportion of savings going into the short and long market. All of those factors have a bearing. I have not reviewed the particular things that may have caused it. I have been in agreement with our policy, but I have been in agreement because of the fact that I thought the reserve supply, the credit base of the country, was growing at an appropriate rate, which is now well above, as I said in my paper, the 3-percent trend line.

Chairman PATMAN. Is the reason for the relatively high interest rates at present in part to check the flow abroad of short-term funds?

Mr. BRYAN. The Open Market Committee is, of course, conscious that we have a serious balance-of-payments problem. I think I would be fair to say, though, sir, that we have not created a reserve situation that would generally tighten rates. We have not made an interest rate correction to the balance-of-payments difficulty.

We have, however, not driven the short rate down as far as we did in other situations in which economic expansion was wanted.

Chairman PATMAN. Is the purpose of the present high interest rates also, in part, to try to solve our balance-of-payments problem by holding down prices, while prices in Europe advance?

Mr. BRYAN. I think, sir, we have been trying, but this is pretty consistent for many years, to end the inflation in this country. We have not changed our stance in that regard.

Chairman PATMAN. Thank you, sir.

Senator PROXMIRE, you have to go answer rollcalls occasionally. Maybe you would like to ask some questions now to make sure you get them in.

Senator PROXMIRE. Thank you, Mr. Chairman.

Mr. Bryan, do you speak under restraint? Do you feel an obligation to the Federal Reserve System that you must speak, not a party line, but sort of an agreed reply to these questions we ask? Are you giving us more or less your understanding of the Federal Reserve viewpoint or your personal viewpoint?

Mr. BRYAN. As I sit on the Open Market Committee, I sit there as an individual. Of course, the individual, if from a Reserve bank has to be a president or first vice president. But I would hope that I would be perfectly candid with you and will certainly try to be. I wrote the paper I presented. I have not submitted it to anyone for clearance. Its errors, if there are such, are my own, and I apologize for them.

Senator PROXMIRE. I think this is a very competent paper. I am impressed by your ability. I am just wondering if there is the same restraint in the Federal Reserve Board that there sometimes is in an executive agency, where people who come up representing the Defense Department are likely to feel under constraint. They have to present the viewpoint of the Defense Department, some of them. General LeMay seems to be an exception. Most of them seem to follow those restrictions. Do you feel you have any such restrictions?

Mr. BRYAN. No; I do not. Obviously, sir, I have a lifetime of devotion to the Federal Reserve System. I have a feeling that it is a