

great institution. If it were making consistent and big blunders, I would have no choice but to resign. I naturally have a loyalty to the Federal Reserve System, such as you gentlemen have to your constituents. You don't agree with all of them all the time, but by and large you want to serve them as well as the American people.

Senator PROXMIRE. That last puzzles me a little bit, you know. Depending on the Congressman and the Senator and the mood, and how close you think the next election is going to be, those can be pretty close restraints, giving you very little discretion. I am not saying they are in my case necessarily.

Mr. BRYAN. Maybe I used an unfortunate figure of speech. If so, I am sorry.

Senator PROXMIRE. Let me proceed.

Early in your statement you talk of your concern about unemployment and you recognize the very great importance of preventing unemployment and seeing that the pains of readjustment do not fall with overwhelming force on the unemployed. This is one of your criteria, I take it, in determining monetary policy.

Another criterion seems to be inflation. These are two of the principal ones that you mentioned, at least. The indicators suggest, as you suggest, that we have had very good experience with inflation. Over the past 5 years or so, wholesale prices have been stable. As a matter of fact, the latest figure in the indicators shows 100.1 as the present index of wholesale prices which is one-tenth of 1 percent above the 1957-59 average. You can't do any better than that. That is perfect.

It is true that retail prices have gone up somewhat about the rate of 1 percent a year. We deplore any increase, but it is modest.

At the same time we have very serious unemployment, so serious that the President of the United States has announced he will ask for a tax cut next year, although he must certainly anticipate this means a bigger deficit. It is a pretty drastic suggestion by the President under the circumstances.

Almost every economist who has come before this panel the last few days has indicated his concern about the economy and feels economic activity is likely to turn down. Many have suggested tax cuts for this reason. Yet you seem to feel that no change in monetary policy is called for, that we go along with about the same policy in the future that we have had in the past.

Mr. BRYAN. Sir, that is a wonderful statement. I am suggesting that no change is necessary at this time. I am suggesting it because I believe that we have done as much as can reasonably be done at this time with our total reserve supply, which is approximately \$300 million above a long-run 3-percent trend line. That does not mean that if employment should worsen, if the economy breaks out on the downside, that I would not favor doing some more on the reserve picture.

Senator PROXMIRE. We have a situation, as I understand it, where we have almost no free reserves in the system except in country banks. The country banks reserves are largely the result of the vault cash system, central reserve and reserve city banks are in a position where they have no free reserves. In many areas one would suspect that