

was arguing that the free reserve concept was creating an unfortunate impression; I was arguing that, in the light of prevailing circumstances, we should pay a great deal more attention to the level and trend of total reserves.

Chairman PATMAN. Has there been any dissatisfaction within the Federal Open Market Committee, itself, on the vagueness of its so-called directive and the lack of quantitative standards given to the manager of the account?

Mr. BRYAN. That is correct.

Chairman PATMAN. There has been dissatisfaction?

Mr. BRYAN. Yes.

Chairman PATMAN. Has it been existing over a long period of time?

Mr. BRYAN. How long I don't know, but I, myself, have experimented considerably in trying to get a more exact instruction.

Chairman PATMAN. The Open Market Committee's directive is to the New York Federal Reserve Bank, operated by officers and employees of the Federal Reserve Bank of New York, is it not?

Mr. BRYAN. That is correct.

Chairman PATMAN. And paid by the Federal Reserve Bank of New York?

Mr. BRYAN. We have no budget of our own.

Chairman PATMAN. In case of doubt, the Federal Reserve Bank of New York uses judgment, I presume.

Mr. BRYAN. With the exception, of course, that there will ordinarily be a member of the Open Market Committee outside of New York who will be on the call, and how much consultation they do with the Chairman of the Board of Governors, I do not know. Not constant, I would assume, but nonetheless I would also assume he is in rather frequent consultation with them. I do not know that for a fact.

Chairman PATMAN. Do you feel that when the Open Market Committee instructs the manager of the Open Market account to operate on "the tone and feel of the market," there is a general understanding among the members of the Committee as to precisely what its manager is instructed to do?

Mr. BRYAN. Mr. Chairman, that goes back to a considerable difference of philosophy in the Committee. As you know, I have felt that we ought to give more quantitative and less qualitative instructions, because I have felt that it is not proper to hold an agent responsible unless your instructions tell what you want him to do, at least reasonably.

The problem, however, is a very real problem. I would like to speak to that problem just a second. I have felt that we ought to give instructions in more quantitative terms. After all, the only thing we can do is to add to at some rate, maybe even subtract from, the supply of reserves. We may want to influence the supply of money. We may want to influence other things, but that we can't do directly. Once the reserves are supplied, they are out of our hands.

I have felt that we ought to give a quantitative instruction since it is quantitative means that we are using. That, I think, over a period of time is a practicable thing to do. Unfortunately, the manager of the account and the agent bank are compelled to deal in day-to-day terms where they get tremendous swings in Treasury cash balances, in