

float, and in other things determining reserves. So a considerable degree of discretion on a day-to-day basis must, I think, be left with the agent bank and the manager.

Nonetheless, I do believe that we need very carefully to consider our supply of total reserves so that we don't start out headed for Le Havre and wind up in Lisbon.

Chairman PATMAN. Have you recommended any of these quantitative standards?

Mr. BRYAN. I have, sir. I have tinkered a lot with a lot of them. The only one I recommended is the use of total reserves, which I believe over a period of time would be helpful in establishing a reasonable and adjustable target. On a day-to-day, week-to-week basis, I don't think the "desk" could or should be required to adhere to it strictly.

Chairman PATMAN. Mr. Bryan, back to the Open Market Committee, just briefly, the Federal Reserve Board has the exclusive power to establish the discount rate. I know that the Board as a matter of custom, or tradition, permits the various Federal Reserve banks to suggest a discount rate. In fact, I believe the law requires that every 2 weeks the discount rate be fixed by each Federal Reserve bank and the Federal Reserve Board be notified as to the rate proposed to be fixed. That gives the Board, every 2 weeks, an opportunity to review the rate and to change it any way the Board sees fit. The law says the Board shall "establish" the discount rate, and the real power is in the Board, because the law says "establish," doesn't it?

Mr. BRYAN. Yes.

Chairman PATMAN. So these banks really don't have power over that?

Mr. BRYAN. Does it say "establish" or "review and determine"?

Chairman PATMAN. I think it says "establish." I could be mistaken.

Mr. BRYAN. Very well.

Chairman PATMAN. The other power that the Board has is over the reserve requirements of the member banks. But the third power that enters into the fixing of monetary policy is in the Open Market Committee, the power to buy and sell securities, to increase or decrease the reserves of the member banks. Isn't it a fact though that the Open Market Committee really passes on all three of those powers? I mean the first two as well as the last one? Don't they openly discuss and agree on discount rates and the reserve requirements?

Mr. BRYAN. My belief on that matter is that there is some discussion from time to time of discount rates, especially when some member may believe that a discount rate change is indicated. I recall very little discussion of reserve requirements. I think there has been some, however.

Chairman PATMAN. Discussion?

Mr. BRYAN. Yes.

Chairman PATMAN. But as between the powers—let us say for the sake of this discussion that the Federal Reserve Board fixes the discount rate, passes on reserve requirements of banks—isn't the third power greater than the other two? And isn't it a fact that the third power could overrule or veto what is done on the other two?

Mr. BRYAN. I wouldn't think so, sir. The discount rate operation—there has been a lot of discussion before your committee and others—