is by no means a particularly important power at the present time. Historically it has been important; it may get to be again. The reserve requirement and the open market operation are extraordinarily important.

Chairman PATMAN. The discount rate is more of a psychological recommendation than anything else: the way I have always considered it, when the rate is increased, that is notice to the banks that interest rates are going up.

Mr. BRYAN. That may be a somewhat oversimplification, but I would not quarrel with it.

Chairman PATMAN. Senator?

Senator PROXMIRE. I would like to thank you for this very fine testimony. I wonder if you would go along with other recommendation of the Commission on Money and Credit which was unanimous. The determination of open market policy should be vested in the Board in establishing its open market policy, and it should be required to consult with the 12 Fed presidents. Instead of having the Open Market Committee, the open market policies would be vested with the Board on the discount rate and the determination of reserve requirements.

Mr. BRYAN. Senator, that is a hard one for me to testify on. I think I would have to adopt almost word for word the statement of Mr. Allan Sproul, made to this committee last year. I can be accused of testifying on that on the ground of self-interest in serving my sense of prestige and feeling of participation in national affairs. I believe, however, that you will excuse me if I do adopt Mr. Allan Sproul's statement on the point, which I thought was very eloquent and very well put.

Senator PROXMIRE. I will look it up.

Mr. Chairman, you said earlier that we had farmed out to the Federal Reserve these important functions. When the big leagues farm out a player, they have a reserve clause.

Mr. BRYAN. Yes.

Senator PROXMIRE. That means they can trade him, call him up, they can sell him; they can do whatever they wish. Unfortunately, we farmed out these powers without a reserve clause, which seems to be our difficulty.

Mr. BRYAN. I think, Senator, you have that.

Senator PROXMIRE. Mr. Roy Moor made that contribution.

Mr. BRYAN. I think you have ample reserve power.

Senator PROXMIRE. We paralyzed ourselves by not using it. I have one other area. Do you think the Federal Reserve carried on Operation Nudge as effectively as it might?

Mr. BRYAN. I am a poor person to testify to that, Senator, because I didn't believe in Operation Nudge.

Senator PROXMIRE. You said "didn't" as if it were dead. Is it dead?

Mr. BRYAN. I don't think so. I think it comes up in the proper place. The powers have not been used recently, but they have not been withdrawn. The committee has not withdrawn them at all.

Senator PROXMIRE. Are there real limits to the size of purchases of long-term bonds?

Mr. BRYAN. By us?