Chairman PATMAN. I believe we agree on what the term pegging meant during the war and other postwar years. It meant that the Federal Reserve set a maximum ceiling beyond which interest rates on Government bonds and other Government securities would not be allowed to go. Now may I ask you whether or not in the latter half of 1960 the Federal Open Market Committee gave instructions or suggestions to the manager of the account as to the minimum below which the bill rates should not be allowed to fall?

Mr. MARTIN. We discussed the bill rate during that period. We did not peg the bill rate. We did discuss the fact that we would not like to see the bill rate become a factor in the flow of funds abroad. We tried to conduct our operations in that way.

Chairman PATMAN. Since the manager of the account is necessarily in the Open Market Committee meetings, do you think that he would get from what was said there, about the bill rate and about your wanting a high bill rate, that it is his duty, in carrying out his work with the Open Market Committee, at the New York Federal Reserve Bank, to keep that rate up and not let it fall below a certain peg?

Mr. MARTIN. We have a meeting every 3 weeks. There is not going to be a very drastic change within the period that we are talking about. Certainly we keep in close touch with the manager of the account. We have a daily call, as you know. We have submitted reports on all the calls for 1960. The call takes place every day at 11 o'clock. Sometimes I sit in on it. Most of the time I don't. We have one of the presidents that is on the Open Market Committee participate in it. Our object is to keep a balanced money market.

Chairman PATMAN. I know about those calls, these 17 dealers getting on that country telephone at the same time, making the market.

Mr. MARTIN. And the fortunes they are making.

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. Martin?

Mr. MARTIN. There are not any high interest rates at the moment. Our rates are lower than abroad; there is a differential.

Chairman PATMAN. Are you for higher interest rates than we have now?

Mr. MARTIN. I don't make any comments on high interest rates. I think the proper approach to it is that we want the right interest rate, the interest rate that will be the most effective in promoting an appropriate flow of funds. As you earlier pointed out, it is the flow of funds that we are concerned with. It is our judgment that at the present time there is an adequate supply of reserves and that there is no shortage of funds anyplace in the country. Mortgage rates are still continuing to decline. We have been able to keep a balance.

Chairman PATMAN. Is part of the purpose for 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. MARTIN. I want to stick to my point, Mr. Patman. I don't think there are any present high interest rates. I think that we want to keep a level of rates that will be most effective in the flow of funds internationally as well as domestically.