Senator PROXMIRE. If you covered most of it?

Mr. MARTIN. No; I won't concede that.

Senator PROXMIRE. There would be less of an expansion if you sold it to the public.

Mr. MARTIN. This is a moving stream, a moving flow. I personally think that you would get the maximum benefit by drawing out the larger proportion in savings. This is a matter of judgment, but I personally think it would add the most to the flow.

Senator PROXMIRE. My time is up, Mr. Chairman.

Chairman PATMAN. Mr. Reuss.

Representative REUSS. Mr. Chairman, I too am very happy to have you here with us and as you know I admire almost everything about you except your monetary policy which is what we are to discuss this morning.

I want to review with you what that monetary policy has been under the Kennedy administration and then ask you a question about it.

When Mr. Kennedy was inaugurated, the unemployment rate in this country was around 7 percent, and the Federal Reserve System under your guidance started out, I thought, like a ball of fire in the early days of the administration. You had on the books of the Open Market Committee a splendid policy directive, "To encourage credit expansion so as to promote fuller utilization of resources."

You did, and it did so encourage fuller utilization of resources. Throughout the first half of 1961 you kept the free reserves of the banking system at a level of $500 million or more. In fact, I was so proud of what you did that on June 1, 1961, when you appeared before the Joint Economic Committee I congratulated you on keeping that level and then I said:

> I would like to express the hope that the Federal Reserve from here on out will keep its free net reserves in the banking system at something like the present level of a half a billion until we get the unemployment rate down not to 6 percent, not to 5 percent, but to some lower percentage, call it 4 percent if you like, which will enable the economy to grow and help us make a dent in unemployment.

You replied:

> I appreciate your comments, Mr. Reuss. I cannot forecast what the future policy of the Open Market Committee will be, but I will certainly bear in mind your comments.

You apparently did for a while, and during the last half of 1961 you kept free reserves at a level of half a billion and you kept that policy directive.

Then on December 19, 1961, a date that will be remembered in monetary history, the Open Market Committee met, and you abandoned that resolution over the protest, I am glad to say, of Governors King and Mitchell. Instead, you put in a policy directive calling for tighter monetary conditions, for higher short-term interest rates, and for slower additions to the reserves of the banking system.

This was on Tuesday, December 19. I think it will come to be known as "Tight Money Tuesday."

Mr. MARTIN. Not Black Tuesday.

Representative REUSS. Not black—Tight Money Tuesday, when history is written.