It had an effect precisely as intended. The free reserves of the banking system promptly went down and continued down. They have been at a level of \$300–\$350 million in recent weeks.

On August 9, the most recent date for which we have figures, free reserves come to \$351 million. The interest rate on 90-day Treasury bills went up by much more than 10 percent until it hovered just below 3 percent. The interest rate on Federal funds went up some 40 percent from 1.8 percent to 3 percent, and there ensued the economic slowdown which is the despair of the administration today.

Mr. MARTIN. At the start of 1962 the slowdown started.

Representative REUSS. No, this has been a progressive thing.

Mr. MARTIN. I don't remember what our index was at the start of 1962, but we are up, just taking the index, 118.7, reported 119 for rounding, as we always do, in July.

Representative REUSS. To what index do you refer?

Mr. MARTIN. I am talking about our index of production.

Representative REUSS. We have had 2 weeks of testimony and the President's speech on the state of the economy. The consensus is that while we are not in a recession, we are stagnating and we are wasting, as Mr. Heller said, at least \$30 billion a year in goods that we could produce if we could get our unemployment rate below the 5.5 percent that it is.

I would point out that so far in 1962, during the period when when you have progressively tightened credit, short-term capital movements in our balance of payments have shown a marked improvement. No short-term outflows of the kind we experienced last year ever appeared as a threat. Moreover, in this period there has been on balance no outflow of short-term capital to the major monetary centers, the United Kingdom, the Common Market and Canada.

Mr. MARTIN. Are you attributing this to our change of policy in 1961. I mean this improvement. I wouldn't claim that much for it myself.

Representative REUSS. I am glad you don't. I am suggesting there really was not much of a need for changing what was a perfectly good monetary policy of ease.

I now ask my question: At your upcoming meeting next week of the Open Market Committee, will you please pass on to them my earnest request that they consider what they did on December 19, 1961, and hopefully go back to the sensible directive which they had in effect previously, restore the free reserves of the banking system to at least the \$500 million level, and play the part which I think the monetary authorities have to play in getting this economy moving forward again.

I don't suggest that you can do it all. But I suggest you are not doing your part.

Mr. MARTIN. I will reiterate my comment that you quoted. We will certainly bear your comments in mind.

Representative REUSS. I hope you will bear them in mind longer this time. Give me 6 months of the old policy until next January, particularly since we cannot have a tax cut now. With less fiscal ease, we must have more monetary ease.