

We will resume the hearing with Mr. William McChesney Martin, Chairman of the Federal Reserve Board, as our witness.

I will resume questioning Mr. Martin.

**FURTHER STATEMENT OF WILLIAM McCHESNEY MARTIN, JR.,
CHAIRMAN OF THE BOARD OF GOVERNORS OF THE FEDERAL
RESERVE SYSTEM**

Chairman PATMAN. At the meeting of the Open Market Committee on December 17, 1961, a modification was made in the form of directive to the Federal Reserve Bank in New York. What was the real significance of the change separating a current economic policy directive from a continuing authority directive, Mr. Martin?

Mr. MARTIN. This is the point that has been discussed many times of trying to give more clarity to the instructions. That is all that was involved. As Mr. Hayes very well pointed out this morning in response to your question, this is the continuing problem of communications that the committee is always working with.

Chairman PATMAN. What was the background of the exception providing that the maturity limit of securities acquired from nonbank dealers was raised to 24 months from the previous authority of 15 months?

Mr. MARTIN. Just to lengthen the period of time that the maturity for the system could operate.

Chairman PATMAN. Of course, you had good reasons for that, I assume.

Mr. MARTIN. Under the circumstances, we were moving in that direction; yes, sir.

Chairman PATMAN. Prior to December of 1961, the rate on 90-day Treasury bills remained in the $2\frac{1}{4}$ to $2\frac{1}{2}$ percent range for a year. In December and January it rose rather sharply to 2.7 percent, where it remained until late June.

The upward adjustment of the bill rate last December and January suggests some further moderate tightening of short-term rates. What was the reason for the apparent change in policy, Mr. Martin?

Mr. MARTIN. Is this 1961 now, or 1962?

Chairman PATMAN. 1961.

Mr. MARTIN. In 1961 we were trying to help the economy as much as we could at that juncture without putting undue pressure on the short end of the market.

Chairman PATMAN. Since June of this year there seems to have been an upward adjustment in both the short-term and long-term rates. Are you able to tell us, first, what the reasons for this apparent further change in policy were, and also whether or not you were in agreement with the increase in rates since last June?

Mr. MARTIN. The increase in rates we didn't determine. The reserves that we supplied were supplied in accord with our feeling that slightly less reserves at that particular point of time, and this is a continuing policy, might be helpful.

Chairman PATMAN. This morning you mentioned a number of times about your objection to bank-created funds, bank-created money, and so forth. How much of our money is bank created now, Mr. Martin?