

And when the Fed wishes to announce something, it will use the English language and announce it. It probably won't want to do this very often, but when it has something to say, it will say it in English, not in the language of flowers that your discount rate change gives you.

I am sure this concerns you and your associates. And let me say now, because the time you are doing to have to answer it in this morning is necessarily very brief, that I would appreciate it if in addition to what you are able to respond this morning, you would file at this point in the record as complete and thoughtful a statement as the Board of Governors cares to make, with such additional views and dissents as the Governors may feel. Now, would you respond, sir?

Mr. MARTIN. My response to this would be that we are making a very careful study of the discount mechanism within the System at the present time. This is under Bob Holland, who is our specialist in this and who is the Secretary of the Open Market Committee now. He has been meeting with the discount officers of the 12 Reserve banks and others, and we have been reviewing this entire matter. As you stated, it will take a long time to go into the various aspects of it, but we hope to have that study completed before too long and give you the whole study.

Representative REUSS. Meanwhile, pending the completion of the study, I would appreciate it if you could give me, and if the members of your Board could give me, the benefit of their thinking at this time, recognizing that it would be on a preliminary basis.

Mr. MARTIN. We will do the best we can with it, but it is a very complicated and difficult research problem.

Representative REUSS. I am glad you recognize, as I do, that it doesn't look as if it is perfect the way it is done now. Maybe we ought to consider improvements.

Mr. MARTIN. Let me say, perhaps this is a needless comment, but never has the Federal Board in recent years claimed to be anywhere close to perfection in its activities.

Representative REUSS. Thank you.

(The following letter, responding to the request of Representative Reuss, was subsequently submitted for the record:)

BOARD OF GOVERNORS,
FEDERAL RESERVE SYSTEM,
Washington, D.C., March 6, 1967.

HON. HENRY S. REUSS,
House of Representatives,
Washington, D.C.

DEAR MR. REUSS: This letter is in response to your question, at the time of my testimony before the Joint Economic Committee on February 9, concerning the review of our discount mechanism.

The Federal Reserve System has been engaged, for a little over a year, in an intensive and far-ranging examination of its discount operations and policy. This study represents the first such investigation since the early 1950's, at which time Regulation A, governing the discount operations of the Reserve Banks, was revised to its present form.

The period following the Treasury-Federal Reserve Accord of 1951 saw the development of the Government securities market to an extent which permitted the bulk of monetary policy actions to be carried out in that market. At the same time, most banks held ample supplies of these highly liquid Government securities. These holdings were an aftermath of war financing and enabled banks to make most adjustments in their reserve positions by sales of these readily marketable assets.