Mr. MARTIN. It added additional pressures to the market, at a time when the market was already under strain, and therefore it was a contributing factor to the rise in interest rates.

Representative WIDNALL. Has the coordination of economic policy between the Federal Reserve and the administration improved in your view since the increase in the discount rate in December of 1965?

Mr. MARTIN. I think our coordination has been good right along. I think, as I said earlier, information and communications has been 100 percent, and I think since the December action perhaps all of us have worked even harder to see that we were fully evaluating the views of the Board and the Treasury and the Council. I think we have worked very hard and very successfully on it.

Representative WIDNALL. Does this mean you have met more frequently than in the past?

Mr. MARTIN. I would say not much more frequently. We have these meetings that have been mentioned in testimony before you, consisting of the Secretary of the Treasury and the Chairman of the Council of Economic Advisers, the Director of the Budget and myself representing the Board. They have met on an average of about once every 5 weeks during 1966, and that was true of 1965.

Representative WIDNALL. Would you favor the removal or the reduction of the gold backing now required for the Federal Reserve notes?

Mr. MARTIN. I would not want to come up at the moment for it, but I think ultimately we may have to remove it. During the hearings on the legislation that repealed the gold cover requirement as to deposits but retained it for Federal Reserve notes, I testified that I did think it had some disciplinary effect on our activities. As time has gone on, I have come to wonder whether that displinary effect was as useful and as practical as I thought is was. My general position on this right along has been that gold is here to use, not to hoard. I would hope that within the next couple of years we will have an improvement in our balance of payments. If we succeed, gold will flow back.

Representative WIDNALL. So you are having a constant review of the situation now, and evaluating the value of keeping it as it is?

Mr. MARTIN. That is right.

Representative WIDNALL. How do you regard the proposals which have been advanced under which the United States would continue to sell gold at $35 an ounce, but would alter its buying policy either by not buying gold at all or by refusing to buy at $35 an ounce, or at any other predetermined price?

Mr. MARTIN. We have considered this at great length, and my own view is that this would be a mistake, that this would be tantamount to devaluation. I think it would not serve the purpose that individuals that are proposing it think it will.

Representative WIDNALL. In the long range it still would have a very adverse effect, you think?

Mr. MARTIN. I do.

Representative WIDNALL. Now is it true that late last year the Treasury borrowed from the Federal Reserve for the first time since 1958, and also there was only one borrowing, or has the Treasury resorted to the Fed on other occasions since that time?