stock of money, as against movements in other financial variables such as broader measures of liquid assets, credit flows and terms, money market conditions, or the level and structure of interest rates?

Section 12A of the Federal Reserve Act, as amended in 1933, reads simply:

> The time, character, and volume of all purchases and sales of paper described in Section 14 of the Act as eligible for open-market operations shall be governed with a view to accommodating commerce and business and with regard to their bearing upon the general credit situation of the country.

Clearly, the Congress, apart from specifying eligible paper, has not been explicit in providing guidance or setting standards for Federal Reserve authorities in the choice of instruments to be used in performance of the duties which have been delegated to them. Even when supplemented by the Declaration of Policy contained in the Employment Act of 1946, the statutory directives are broad and most general. This does not mean, however, that the agency charged by those statutes with day-to-day responsibility can do without some quantitative formulation of its objectives.

Unfortunately, the Federal Reserve itself does not appear to have developed a set of priorities for its own guidance. This lack of firm working criteria has troubled monetary students and members of this committee ever since the Board exposed its methods by making generally available the Record of Policy Actions of the Board of Governors and the Federal Open Market Committee. The minutes made available are couched in the most general, nonquantitative monetary and stabilization terms. They have tended to indicate a considerable reliance on intuition and mystique in shaping actions rather than giving Congress, or observers of monetary affairs, a full opportunity to follow the developing and sometimes conflicting concepts or reasons which have influenced decisions.

A single example will illustrate the lack of rules. One will suffice, although similar statements reporting procedures are made available with a 3-month lag in the monthly Federal Reserve Bulletin and may be read by all. The minutes of the July 18, 1967, Open Market Committee meeting report that:

> In the course of the Committee's discussion considerable concern was expressed about the recent high rates of growth of bank credit and the money supply, particularly in view of the prospects for more rapid economic expansion later in the year. It was generally agreed, however, that the Treasury's forthcoming financing militated against seeking a change in money market conditions at present. Moreover, even apart from the Treasury financing, most members felt that it would be premature to seek firmer money market conditions at a time when resumption of expansion in overall economic activity was in a fairly early stage; and some also referred in this connection to the growing expectations that the administration would press for measures of fiscal restraint. In addition, some members expressed concern about the possibility that any significant further increases in market interest rates might reduce the flows of funds into mortgages and slow the recovery under way in residential construction activity.