"September 10, 1968.

"Hon. Wm. McC. Martin, Jr.,
"*Chairman of the Board of Governors of the Federal Reserve System, Washington, D.C.*

"Dear Mr. Chairman: This is in response to your letter of September 9 regarding reports by the Federal Reserve Board to the Joint Economic Committee.

"Your proposal that the Federal Reserve submit an analysis of significant developments following every calendar quarter, taking into account changes in the money supply as well as other types of deposit, strikes me as a very useful and mutually beneficial measure. Consequently, I would appreciate your instituting such reporting practice as soon as it reasonably can be done.

"With respect to annual staff projections of financial developments, requested by the Joint Economic Committee, it appears that there has not been a complete meeting of the minds as yet. The Joint Economic Committee would not expect predictions as to the future course of monetary policy, of course. I do not think any central bank should be expected to make precise predictions as to future monetary policy actions. On the other hand, the committee would expect the Federal Reserve to go beyond the submission of projections—"

And I am quoting now the letter that Governor Martin wrote me—

" 'consistent with the economic prospects envisaged in the President's Economic Report.'

"We would like to have such projections. But, more important, we would also wish to have your best judgment as to the acceptability of those projections and, in the event that you do not agree with them and anticipate basing your policy on different projections, the committee would like to hear about them.

"The Federal Reserve has taken the position quite properly on previous occasions that it is not required by law to be responsive to the will of the executive branch in its economic policy decisions. Consequently, it is conceivable, although I do not think likely, that there might be differences on occasion between the Federal Reserve's judgment and that of the administration on the economic outlook. In such case, it would be a duty of the Federal Reserve, as an agency of the Congress, to give the Congress its best judgment as to the economic outlook, including monetary factors.

"I hope that this clarifies our expectations.

"Very truly yours,

"William Proxmire, *Chairman*."

Governor Mitchell, I certainly do not expect you to comment on this issue which I am raising with the Chairman of the Federal Reserve Board this morning. I took this occasion, because I thought it was a timely occasion to report publicly on my response to Chairman Martin.

You have prepared a very helpful and thoughtful paper which I had a chance to study last night, on the new discount mechanism. I think it has all kinds of interesting implications, and we are very happy to have you go right ahead on that.