directors of the Federal Reserve banks, and over half of these directors we know were bankers at that time. The others were borrowers. I don't say they were captives but they were in a position to be talked to and subject to little moral suasion.

Mr. HAYES. I can only speak for our own bank. I might point out in our own bank the B directors, the three directors who are not bankers and are elected by bankers, do not own any bank stock.

Chairman PATMAN. That is news.

Mr. HAYES. That has been true for many years.

Chairman PATMAN. I hope when you run for reelection these six are for you. You have nine constituents.

Mr. HAYES. May I say, in my opinion, the only constituency we have is the public of the United States and the public of the Second Federal Reserve District.

Chairman PATMAN. Thank you very much, Mr. Hayes. We appreciate your testimony.

Chairman PATMAN. Our second witness today is Mr. William McChesney Martin, Jr., Chairman of the Board of Governors, Federal Reserve System.

Mr. Martin, it is good to see you again, as it always is. You may proceed in your own way and after you have enlightened us with your opening remarks, the members of the committee may wish to interrogate you.

We have a rule of 10 minutes each and go around as long as it is necessary to ask the important questions. So you may proceed in your own way, sir.

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

Mr. MARTIN. Mr. Patman, it is nice to be here again. It may be that just about everything that can be said about matters of interest to the members of this committee has already been said by other witnesses, but I should like, nevertheless, to be as helpful as possible in discussing economic and credit conditions today.

Much in the recent flow of statistical information has indicated a definite loss of momentum in the pace of economic expansion. This was particularly true of the June reports. In that month, there were declines in durable goods orders, average hours of work at factories, retail sales and housing starts, and only small gains in industrial production, employment, and personal income. Altogether, the impression of slowdown seemed to be confirmed.

There has been a popular tendency to view the various signs of slowdown as foreshadowing an imminent upper turning point in the economic cycle. Judged from the perspective of cyclical indicators, which in the past have shown a tendency to run ahead of the overall data, this view has perhaps been reasonable.

I sometimes wonder though if we have not become overly sensitive to cyclical indicators—we read, watch, study, and talk about them so much that we may have become like medical students who acquire each disease as they read about its symptoms in their textbooks. We ought to remember that, while leading indicators have correctly foretold some recessions, they have also on occasions given portents of recession that did not occur.