

serve is determined to provide, on the one hand, the reserves needed to support the necessary and healthy expansion of bank credit and money required to meet the needs of a growing economy, and on the other, not to again become entangled in the vicious circle of financing Government deficits with bank credit created solely for that purpose.

In closing, let me summarize as specifically as I can my view with respect to the economic situation today.

All in all, the performance of the economy has been disappointing in that it thus far has failed to reach the goals set for it by some and predicted for it by others. Yet the economy has withstood some rather severe shocks—last fall an auto strike, this year a major steel inventory adjustment, and the sharpest stock market break since the 1930's—and still it has moved forward. This last month is a new high in our industrial index. On the one side it has not achieved the levels of manpower or physical resource utilization we would all like to see; on the other, the latest data do not, in our judgment, confirm that we have reached or passed a turning point in the cycle at this time. The most likely possibility in the period immediately ahead seems to be for a continuation of mixed movements in the more sensitive indicators and some further growth in the broad aggregate measures of economic activities.

Now a final word, about monetary policy and credit conditions. The one factor over which the Federal Reserve has anything like complete control, and not too complete, is the volume of reserves available to the banking system. In my judgment we have supplied—and are now supplying—and it is certainly our intention to continue to supply, all the reserves the banking system requires to meet the American economy's needs for credit today and to foster its further economic progress.

Chairman PATMAN. Thank you, Mr. Martin.

Mr. Martin, I believe you have told us on previous occasions that the Federal Open Market Committee is not interested in interest rates, as such, and not interested in the money supply, as such, but rather you are interested in a proper flow of funds. Is that correct?

Mr. MARTIN. We are indeed interested in the proper flow of funds.

Chairman PATMAN. What do you mean by proper flow of funds?

Mr. MARTIN. That is a judgment that has to be determined and is determined by a group of men who are sitting together every 3 weeks.

Chairman PATMAN. That is the Open Market Committee?

Mr. MARTIN. Yes, sir; the one that you described as the most powerful committee in the world.

Chairman PATMAN. That is right. I want to invite your attention to a further point to supplement and corroborate my charge that they are operating in violation of law. Yesterday it came out again.

The law says the Open Market Committee is composed of 12 members, 7 members of the Federal Reserve Board and 5 Federal Reserve bank presidents.

Mr. MARTIN. That is right.

Chairman PATMAN. Now then, you not only let the 12 come into the meetings, but you let 7 more Federal Reserve bank presidents come in, all elected by the directors of the Federal Reserve banks. So you have 19 in those meetings.