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Remarks of

Arthur F. Burns

Chairman, Board of Governors of the Federal Reserve System

Federal Reserve Bank of Philadelphia

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It is indeed a pleasure for me to join you today at the dedication of this new Federal Reserve building. The directors of the Federal Reserve Bank of Philadelphia showed great foresight when they selected the site for this beautiful structure -- a site symbolic of the independence that is so cherished by us all. And it is the subject of independence that I would like to comment on briefly today.

It was in Independence Hall of this city that our forefathers, having already adopted the Declaration of Independence, went to work on a Constitution for the new nation. In the course of their labors, they developed a series of checks and balances for our government that has survived virtually unchanged for almost 200 years. They created a system free of the dangers of executive controls such as enslaved and impoverished much of the world during earlier times.

The founders of the Federal Reserve System also had the wisdom to benefit from historical experience. Aware of the need to protect the integrity of the Nation's finances, aware of the dangers of political abuse of the power to create money, aware of the wreckage of nations that had mismanaged their

currency, the founders of the Federal Reserve saw to it that the monetary authority would not become subservient to the executive branch of government and thus subject to political manipulation.

The principle of independence of the monetary authority within the structure of our Federal Government was embodied in the original Federal Reserve Act. Long terms were provided for members of the Federal Reserve Board, and the Board was required to account for its actions to the Congress -- not to the Administration. Also, the operations of the Federal Reserve System were to be financed from its internal sources, so that the System would be protected from the political pressures that may be exercised through the congressional appropriations process. Finally, power within the Federal Reserve System was to be diffused, with the interests of borrowers, lenders, and the general public duly recognized and blended in the new regional Federal Reserve Banks.

In the years that followed creation of the Federal Reserve System, particularly during the Great Depression, experience suggested that the degree of independence assigned to the monetary authority was insufficient. The Banking Acts of 1933 and 1935 rectified this and produced the structure of the Federal Reserve that we have today.

I believe that our system of monetary management has been working in the way the founders of the Federal Reserve intended. They expected the Federal Reserve to be a non-partisan organization wholly divorced from politics, and so it has been throughout its history. Its activities have been conscientiously directed to fostering a high level of production and employment in our country, and to serving as the principal guardian of the integrity of the dollar.

Nonetheless, there are now, as there have been over the years, some well-meaning individuals in our country who believe that the authority of the Federal Reserve to make decisions about the course of monetary policy should be circumscribed. The specific proposals that have been put forth over the years differ greatly, but they usually have had one feature in common -- namely, control by the Executive Branch of government over the monetary authority.

A move in this direction would be unwise and even dangerous. I doubt that the American people would want to see the power to create money lodged in the presidency -- which may mean that it would in fact be exercised by sundry political functionaries in the White House. Such a step would create a

potential for political abuse on a larger scale than we have yet seen. Certainly, if the spending propensities of Federal officials were given freer rein, the inflationary tendency that weakened our economy over much of the past decade would be aggravated.

It is, of course, essential that the Federal Reserve, particularly its Chairman, consult frequently with key officials of both the Executive and legislative branches of our government. The Nation's monetary authority must observe the spirit as well as the letter of our laws. In our democratic society the independence of a governmental agency can never be absolute. The Federal Reserve System is thus subject not only to the provisions of the Federal Reserve Act, but also the Employment Act and other statutes.

The original design of the Federal Reserve System recognized that the Federal Reserve must account for its stewardship to the Congress. The oversight responsibilities of the Congress for the conduct of the monetary authority do not, however, require congressional involvement in the details of implementing monetary policy. The technical complexities of adjusting monetary or credit instruments to the needs of a modern industrial economy are far too great to be dealt with

by a large deliberative body. At the same time, there is a significant role for the Congress in setting forth the economic and financial objectives that the monetary authority is expected to observe and honor.

This, then, is the message I want to bring you today: We must avoid political tinkering with the Nation's money. The Federal Reserve must retain the independence to make the hard decisions that might be avoided by decision-makers subject to the transitory pressures of political life. This does not mean total independence for the Federal Reserve, but an independence carefully prescribed by the Congress through the checks and balances that have evolved over the years. It is an independence that must be preserved for the good of our economy.

There is much to be done in dealing with the economic and financial problems that face our Nation. But I, for one, am optimistic about the future. My optimism rests in my faith in the good sense of our people -- their foresight, their resourcefulness, and their energy to strive for a better life. As we dedicate this new Federal Reserve building today, let us also dedicate our efforts to the restoration of sound national

finances and a stable dollar. For unless we accomplish that, the objective of full employment will prove elusive and even our political liberties may suffer.

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