

APPROVED REMARKS TO BE  
USED BY RON ZIEGLER AS  
NECESSARY

May 28, 1970

Dr. Burns said that he recognized that there is some uneasiness in the country, even some concern about liquidity. He said that the Federal Reserve was conscious of it, that they had a responsibility as the lender of last resort, and that they would discharge it.

He said he would not be handicapped by this or that theoretical formula about the money supply, and that businessmen did not need to worry about the alertness or the ability of the Federal Reserve to meet the monetary needs of this country.

At the same time, he emphasized that he is keenly aware of the inflation problem, and said that he did not become chairman of the Federal Reserve Board to add to the inflationary problems of the nation.

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DR. ARTHUR F. BURNS, BUSINESSMEN'S DINNER, May 27, 1970

DR. BURNS: Well, gentlemen, some of the bankers have the position to speak in venacular terms. They talk plainly to one another, but they talk in somewhat mysterious terms for the people.

Now, I am learning the art and in due course I will be so obscure that only my fellow central bankers will be able to understand me. But I am still new at the game and therefore perhaps can speak with a touch of lucidity.

The money supply did not rise at all during the last six to eight months of 1969. Now in the first quarter of this year the money supply rose at an annual rate of four percent; the month of April it rose at an annual rate of ten percent; and this month it will probably rise at an annual rate of eight or nine percent.

Now these are numerical facts. That rate of increase is fast enough if, in a sense, you know, everysince my childhood speaking to my own family, speaking to my friends and associates, there has never been enough money to go around. Always a shortage of money.

But if one looks at the historical evolution of the money supply of this country, the growth rates that I have just described are definitely on the high side but is not sufficient at the present time.

Well, I will say just this: Now, I am the head of the Central Bank. There is uneasiness in the country and I recognize this. Some of my colleagues have some concern about liquidity -- on the part of our banks, on the part of our business concerns. Now, we of the Central Bank are very conscious of that. We recognize that as a Central Bank we have the responsibility as the lender of last resort; we will discharge that. And at a time when there is the tendency on the part of some people to try to accumulate cash, be in a safe position, we of the Central Bank will supply the liquidity needs. We don't want to see interest rates rise further; in fact, we want to see them come down. And we are not going to be handicapped by this or that theoretically determined arithmetical figure about the money supply. We will act as central bankers, at a time when there is uncertainty and where there is a liquidity problem -- and I don't think Mr.

- 2 -

Lasker or the rest of you need worry about the electness of the Central Bank, its willingness and its ability to meet the liquidity needs of the country, particularly in this period of uncertainty.

Now, I don't want you to get the impression that I have assumed the Chairmanship of the Federal Reserve Board to lead this country into a new inflationary phase. I am not going to do that. Once the uncertainty that now prevails is at an end, we will supply reserves on a scale sufficient to assure a reasonable and sustainable rate of growth of our economy. We will not return to inflation.

While there is this feeling of uncertainty we will act like Central Bankers in the old tradition and not be tied down by this or that figure concerning the money supply; the liquidity needs will be met.

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