

OUTLINE FOR SPEECH OF GOVERNOR ECCLES  
BEFORE TEXAS BANKERS' ASSOCIATION

May 14, 1951.

- I. Twin objectives.
  - A. Avoid war.
  - B. Maintain democratic free-enterprise system--avoid inflation.
  
- II. Inflation threat.
  - A. Defense requires shift of production from civilian to rearmament.
  - B. Incomes going up.
  
- III. Inflation threatens destruction of capitalistic economy.
  - A. Keynes' quotation (1).
  - B. Wiggins' quotation (2).
  
- IV. Anti-inflation measures.
  - A. Problem due to excess money demand.
  - B. Remedy primarily fiscal-monetary.
  - C. Direct controls limited in value--doesn't hit the roots of inflation.
  - D. Fiscal--transfer purchasing power to Government to match production shift.
  - E. Monetary--credit measures.
    1. Role of banking system in inflation process--not a passive one.  
Quotation from Keynes (3).

2. Measures adopted -

- (a) Open market.
- (b) Reserve requirements.
- (c) Selective credit controls.
- (d) Voluntary.

3. Banker attitude has been to stop inflation, but not by affecting banking operations.

- (a) Shelton quotation (4) on reserve requirement change.
- (b) Wiggins' statement (5) on open market operations.
- (c) Opposite point made by National City Bank Letter (6).

4. Alternatives -

(a) Not no additional monetary and credit controls

(b) But either:

Additional traditional controls such as over reserves.

Rigid, comprehensive direct controls over bank loans such as John D. Clark proposes--quotation from his statement (7).