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Summary of Remarks by Chairman Thomas B. McCabe  
Board of Governors of the Federal Reserve System  
Before the  
Breakfast Meeting of the National Sales Executives  
Statler Hotel, September 7, 1950

The most important objectives which our country seeks today are:

1. The establishment of a peaceful, free world.
2. The maintenance of a strong economy.
3. The preservation of our religious faith and the freedoms which we enjoy in our form of Government.

He said that unless we keep our economy strong, our military efforts abroad will suffer and our freedoms at home will be in jeopardy. He emphasized that the greatest danger facing our economy today is inflation and that the fight against this insidious enemy at home should be waged with all our skill and resources. He stressed the urgency of public support for a vigorous fiscal program to put the Government so far as possible on a "pay-as-you-go" basis. We should have the courage to levy adequate taxes and to reduce non-military expenses of the Government sufficiently to achieve this objective. At the same time, he said, we must curb excessive extensions of credit in all directions. He cited the following figures to show the rapid growth of credit:

Within the past year loans made by all commercial banks have increased more than \$6 billion, to a total of over \$47 billion. Consumer debt, excluding that owed for the purchase of homes, has increased \$4 billion during the past year to a present total of more than \$20 billion. Consumer instalment credit is up from \$9.4 billion a year ago to a total of \$12.6 billion at the end of July. The aggregate non-farm home mortgage debt has jumped nearly \$6 billion in the past 12 months to a present total in excess of \$40 billion.

He gave the highlights of the policy expressed in the recent statement of the Federal Reserve in its announced policy to wage war on inflation. That statement read as follows:

"Within the past six weeks loans and holdings of corporate and municipal securities have expanded by \$1-1/2 billion at banks in leading cities alone. Such an expansion under present conditions is clearly excessive. In view of this development and to support the Government's decision to rely in major degree for the immediate future upon fiscal and credit measures to curb inflation, the Board of Governors of the Federal Reserve System and the Federal Open Market Committee are prepared to use all the means at their command to restrain further expansion of bank credit consistent with the policy of maintaining orderly conditions in the Government securities market.

"The Board is also prepared to request the Congress for additional authority should that prove necessary.

"Effective restraint of inflation must depend ultimately on the willingness of the American people to tax themselves adequately to meet the Government's needs on a pay-as-you-go basis. Taxation alone, however, will not do the job. Parallel and prompt restraint in the area of monetary and credit policy is essential."

Since he was asked to give this group of businessmen some of his thoughts concerning what they might do in this emergency, he said that he would suggest the following:

1. That they maintain the versatility and resourcefulness for which American business is famous.
2. That they do everything possible to avoid price increases except where forced to do so by mounting costs.
3. That they constantly strive to improve labor-management relationships.
4. That their research and development activities be intensified.
5. That they make some of their best men available to the Government.

He pointed out that we won the last war by the united efforts of industry, labor, agriculture, and Government, and that the greatest potential strength in our Nation today is the reserve corps of business, professional and other men who served the Government from 1940 to 1946. He compared this reserve with our military reserve and said that many businessmen who had served before are being called back. Industry and Government, he declared, must unite and work together to achieve victory abroad and to maintain our strength at home.

Speaking particularly of problems in the sales-management field, he quoted the following significant statements made to him recently by a prominent sales executive:

"Today's sellers' market can change very rapidly in either direction. During July and August there has been a substantial amount of inventory buying. While I feel the demand will continue at a high level, it is imperative that a sales executive should not take it for granted.

"1. Keep up a program of advertising. This force, skillfully done and constructively used, builds for future years.

"2. Drive even harder to maintain and improve quality. There is a natural tendency to be less particular and to let down on quality in a sellers' market. This calls for greater drive on the part of sales executives to keep quality high.

"3. Market and product research should be accelerated -- a knowledge of marketing factors is even more important now.

"4. Make sure that our products are distributed equitably -- a reputation for being fair in times such as these will be invaluable when going gets tough -- and it's the right thing to do.

"5. Take our customers' complaints seriously and try to solve them. We must not forget that our customers are the greatest assets of our business and that we have a great responsibility to them. New customers and new markets look very attractive, but we must tread carefully here if we are properly to take care of our old customers and our established markets.

"6. The sales executive's greatest responsibility is to his men -- we must not let them get 'allotment-itis.' They must not become big-headed because they are in the driver's seat. Now is the time for humility and genuine customer interest on the part of our men. Buyers resent the normal situation being reversed. The smart salesman recognizes this.

"7. An oversold sales position requires more planning and management on the part of our men to carry out their responsibilities to their customers. We insist that they call on customers regularly for psychological reasons and keep in closer touch than ever with market conditions. Our men, properly trained, provide our best source of information. If we are sincere in our desire for their advice and help it strengthens and builds them at the same time.

"8. Finally, a sales executive must keep his men from becoming lax in a period when the pressures of a defense economy distort normal marketing channels. He must keep his men on their toes and this calls for more sales meetings and more field trips on the part of executive personnel instead of less.

"The sales executive should carefully develop ways of stimulating his organization (this is true at all times, but even more important now). The vital importance of selling in our American economy never changes even though the direction does. Now is the opportunity to sell a business, its concepts of service, and its story of quality."