

Remarks at

Dinner in Honor of President George J. Schaller

Federal Reserve Bank of Chicago

Chicago, Illinois

February 26, 1941

We know George Schaller. We like him and respect him. We are sorry that he is retiring. On this occasion we wish to give expression of our appreciation of his public service, of his fine character, and those personal qualities that enlist warm admiration. He has devoted his life to the banking profession and he has a distinguished record of conscientious work well done.

From the time that he became Governor of the Federal Reserve Bank of Chicago on January 1, 1934, he has been enlisted in what is essentially a public service, first as the Governor and then, since 1936, the President of this great institution which is an important part of this nation's central banking organization. We sat with him often in council when he came to attend meetings of the Conference of Presidents or meetings of the Federal Open Market Committee, and we found him unfailingly and conscientiously devoted to the best interests of the Reserve System and of the country in these times of rapidly changing world conditions and new and complex problems which confront us all.

It is difficult to associate with George Schaller the idea that he has reached the retirement age, which, nevertheless, seems to be a calendar fact. To a man of his essential youth and vigor, however, there is no such thing as actual retirement. The other day a man some years his senior, who had finally succeeded in laying down the burdens of an extremely busy industrial life, remarked that he had found retirement to be an illusion because so many causes called to him, the appeal of which he could not resist. As a result, his wife, with pardonable exasperation, had asked him if he could not get back his old job so that he could get home once in a while. Though men of long and valuable experience in public affairs may lay down some of the exactions and responsibilities of administrative office, they cannot in these times be spared from the council tables.

These are not normal times. Our Democracy is living in a period of emergency. To protect itself, Democracy must discipline itself. Every part of our economic structure must be geared up to an emergency tempo and coordinated with just one objective--our national success.

We envisage problems the solution of which is dependent upon the study of various aspects of our past, current, and future economy, and an effective coordination of all our country's activities to the end of economic stability.

For instance, if I were to list topics that I believe central banking authorities need to study and consider if they are to discharge their own particular duties wisely, I would include the following:

1. The magnitude and timing of the Defense Program.
2. The probable effect of the Defense Program upon the national income, employment and output.

3. The probable magnitude of private investment in plant, equipment and housing, and the probable expenditures on automobiles and household equipment at various income levels.
4. The probable volume of business profits; of corporate, institutional, and individual savings at various income levels.
5. The probable magnitude of tax receipts (assuming different tax structures) at various income levels.
6. The probable Federal expenditures and deficits under the Defense Program.
7. The probable volume of Federal borrowing from commercial banks, savings institutions, corporations, and individuals.
8. The prospect with respect to commodity price inflation (industrial, agricultural, and food prices) under varying conditions.
9. The danger of bottlenecks with special reference to steel, railway equipment, and skilled labor.
10. The prospect with respect to wage increases and labor unrest.
11. Control of Inflation: rationing, priorities and other direct measures of control; consumption taxes; the so-called Keynes plan for compulsory saving and deferred payment; excess reserves and direct monetary controls.
12. The impact of the war on foreign trade and postwar trade policy.
13. Gold and exchange policy of the United States, especially in view of Germany's access to the gold and foreign balances of virtually the entire European continent.
14. Problems relating to the post-defense slump, particularly post-defense Federal budget, the fiscal capacity of the States, the Federal-State fiscal relations, variable grants-in-aid, social security programs (including old age, unemployment, food stamp plan, health, education), Federal works programs, housing.
15. Long-range proposals with respect to expansion, full utilization of resources, anti-depression policy, flexible tax structure, flexible program of public works, a Fiscal Authority Planning Agency.

Formidable as this list is and challenging to our best efforts in study and research, it is, of course, incomplete. We must inform ourselves to the best of our ability on all of these, and other, economic, monetary, and fiscal fronts, not because we who are occupied in the banking field are to be called upon necessarily to provide all of the answers, to formulate policies, or even to assume the leadership in such wide fields, but because our job, our immediate task can only be performed intelligently if we have a comprehensive grasp both of national and international developments and the probable course of events.

The Federal Reserve System can make a valuable contribution toward the enlightenment and guidance of public affairs in these days. Embraced within the Federal Reserve System itself, that is, within the twelve regional banks, like the Federal Reserve Bank of Chicago, of which George Schaller is the retiring President, their twenty-four branches and the Board of Governors with its staff, are many men of

wide experience, expert in many fields, and motivated by a desire to render useful public service. This is true likewise of the directorates of the banks and branches and of the Federal Advisory Council. They have direct contacts with the banking and business communities throughout this country. They can render a real service, in my opinion, by helping in such ways as are properly open to them for study, for research, for taking council, for helping as they may to shape the destiny of our country.

The Chicago Federal Reserve Bank is the second largest in the Federal Reserve System. It has 856 member banks representing a total of approximately eight billion dollars of deposits in the district. It is indeed a very important part of the System.

I know, George, that because of your experience with this bank you are fully aware of what lies ahead of us and that you will not retire from your interest in the System--its aims and purposes.