



For release at 1:00 p.m.
Central Standard Time
October 13, 1961

GROWTH AND KANSAS CITY

Remarks of Harold King
Member of the Board of Governors
of the
Federal Reserve System
before the
Real Estate Board of Kansas City
Kansas City, Missouri
October 13, 1961

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It would be possible for me to confine my remarks today to a recital of the things I like about Kansas City. I assure you that I could spend an hour doing this, and I would be only partially through at that time. But all of you know Kansas City better than I do, so there would be little new I could say on the subject.

My interest in Hereford cattle has brought me to Kansas City frequently for over 12 years. As you might already know, I have exhibited Herefords at the Royal for several years. Now it's true that we never showed a "champion" here; but in 1954 we won four blues, which were as many as anybody won that year. My good friend, Mr. J. S. Bridwell of Wichita Falls, Texas, also won four blues that year. Frankly, I believe a tie with Mr. Bridwell is a victory. Just in case any of you check the record on me, I will tell you that I am conveniently overlooking the fact that one of Mr. Bridwell's four blue ribbon winners was also champion Hereford bull of the American Royal that year.

Winning is fun, but in playing the game -- whatever it is -- there are inevitably some losses. We had our share of them. But even losses have their bright side. They give us determination and resolution to go on into future competition with a greater "will to win."

I suppose this "will to win" is one of the most notable characteristics of the pioneers who settled the Great Plains. Most of you are fortunate to have some of their blood in your veins.



Perhaps it's this quality of Westerners that has always drawn me to them. My work as a Hereford breeder required that I visit herds all over the United States. I bought some good cattle when I could find them at a price I thought I could pay. And, reluctantly, I admit I got "taken" on a few deals. But this is only another example of loss which prepares us better for the next inning in the game of life.

Someone said that the man who talks about himself is a bore; so now that I have risked boring you, I would like to discuss a subject in which I believe we are all interested. That subject is economic growth.

Our rate of growth was the basis for a certain amount of political debate a few months ago, but now that the dust of political battle has settled for a while, I believe it is a subject worthy of discussion. It is doubtful that the subject of growth can be adequately discussed in a twenty-minute talk. The subject must include so many provisos and generalities that the conclusions drawn are largely matters of emphasis and interpretation.

The fact of the matter is, though, that the decisions which guide our nation are reached as a result of emphasis and interpretation by human beings. And even though the science of electronics has produced computers that have tremendous abilities, there is none that we seem willing to trust for such decisions. People have been in use for this purpose for a long time, and my honest guess is that the odds are good that people will keep on making the decisions.

In my work on the Board of Governors we are dealing entirely in a field of judgments. It is not a science, and there is no book of answers. We hope we make good decisions for the American people, but there is no way to be sure. Perhaps it is no cause to fret that we cannot be certain we are right, for I recall the words of the eminent jurist, Judge Learned Hand, who said, "The spirit of liberty is the spirit which is not too sure that it is right."

Someone might ask now: What does liberty have to do with growth? My answer is that growth would mean little to Americans unless preservation of liberty was part of the package. It seems doubtful that a slave would be much benefited by economic growth -- except that his masters look happier. The Soviet Union is an interesting case. Statistics indicate the Soviet rate of growth in recent years is large. But we should note the fact that their growth started from a base of such widespread poverty that it would have been virtually impossible to avoid some spectacular growth once technological progress was introduced. This is where the Russians are misleading many people today. They sell the idea that it is their system which has produced results in terms of economic growth, whereas it is simply technology that has produced results. In the process of their growth, no liberties have been removed from the Russian people. They never had any! So the loss of liberty is a subject of no consequence in the Soviet Union. In fact, it is not even a subject.

Now we are on the other side of this matter. Our country has grown more than any other in history. And it has all been

accomplished under a system of liberty and free markets. Our growth has been continuous for a period of two or three hundred years. We know that our nation's natural resources provide us with a great potential for growth. We also know that some countries do not possess natural resources in variety and quantity adequate to serve as a vehicle for dynamic growth. These "have not" countries frequently turn to more regulated societies in a search for some growth and stability. Frequency of this type of development indicates this is what human beings do when they live and work in a country relatively poor in resources. It is possible that in the distant future our country will have no choice other than to take a bigger step in that direction.

But our relative abundance of natural resources suggests to me that we are not anywhere near the need of "strong medicine" for forced growth. Such medicine is appropriate only when the patient, our economy, is in critical condition. The current recovery from a relatively brief recession indicates latent strength in our economy. The fact that the recovery is not galloping at top speed is no cause for despair. Even though the pace is slow, the direction is clearly discernible and gives hope of a lengthy period of stable activity at a high level. If the recovery continues to develop in this manner, it could provide a high rate of sound growth. If we can keep our impatience in check, we will have our growth and at the same time our freedoms will remain intact.

Our wealth of resources still offers great incentive to industry. When our industry has ample incentive, it can provide

whatever amount of growth we need now just as it has in the past. In short, I do not believe we could intelligently risk destroying this wonderful free-market machine in the hope of getting some type of growth statistic which would have little to do with advancing the welfare of most of our people. When the whole world looks on us with envy and wonder, it does not logically follow that we should make frantic efforts to intensify their envy and wonder. Certainly I would agree that we should always strive to increase their respect for us.

Modifications have been made in our market economy in the hope of minimizing the excesses of the business cycle and providing stable economic conditions so as to promote a maximum rate of steady growth. It is possible that some of these innovations designed to promote growth actually retard it. Some modifications have been made primarily for social reasons. But whatever the reasons, our system has largely digested such modifications, and we still have a strong economy. We have sacrificed some liberty; but we can be consoled that we still have a good score compared with the rest of the world.

Having contemplated growth as a national matter, perhaps I should turn now to the subject of growth as related to your community. It takes no stretch of my imagination to know that you ladies and gentlemen are likely to be in favor of bigger and better growth of Metropolitan Kansas City. So am I. If any of you had any doubt as to whether I am in favor of growth, I intend to lay those doubts to rest.

Now what is the formula that makes Kansas City grow? I would illustrate it simply as follows: $NA + A = G$. "NA" is your natural advantage, and that part of your formula is not variable. There is really nothing to be accomplished by wishing you had more natural advantage. You must work for what progress you want within the framework of what the Divine Creator placed in this spot. The "A" in our formula stands for action. This is a variable part of the formula and one over which you and your fellow Kansas Citians exercise almost complete control. The result of your natural advantage added to your action produces "G", which is growth.

If the variable over which you have control is your action, perhaps it would be wise to consider whether there is someone more competent to decide these matters for you. Hitler concentrated these decisions at such a high level in the Third Reich that it prompted someone to observe that the only mistakes Germany could make were big ones. History indicates they were made.

There is no doubt but what some bad decisions will be made when they are so heavily in the hands of the people, as in our system. However, the process of merging all these little decisions, both good and bad, makes it hard for us as a nation to change direction in a radical manner. The original concept of the founders of our republic was one of checks and balances. Even our growth has gone through this process. It seems clear to me that you people who live here in Kansas City all the time are best qualified to make decisions as to whether

you need another subdivision, hotel, motel, apartment house, school, or library.

Some communities do not really want to grow. If they do not, then that should be their privilege. Last year I attended a bankers' forum in Helena, Montana. One of the speakers told the group that the first thing Montanans must decide is whether they really want economic growth. As we view the beauty of their rugged landscape, it is easy to see how some decide it is too beautiful to mar with further development. Others like to live and rear their young in a small community that doesn't change very much. Under our system of liberty, those communities that prefer to try to maintain the status quo can do so, though their reticence deprives them of something which I describe as the fruits of economic progress. In my view, this is nature's way of dispensing justice.

A real phenomenon which has spurred growth in cities in the United States in recent years is the mechanization of farms. In 1920 we had 30 per cent of our people working and living on farms; we now have only 11 per cent there. The remainder have moved into cities and towns. As the cities and towns absorbed these large influxes, the centers of the cities have become so crowded that the resulting move to the suburbs has been, in effect, an explosion. It is possible that the percentage of our people engaged in agriculture will decline somewhat more. But there is a limit, and we are obviously getting close to the minimum number that will be necessary to produce our crops. Even though the stimulus to growth from this factor is

likely to diminish, population increase alone will continue to provide a strong base for growth.

Naturally, you who earn your livelihood in real estate or a related activity want to see continued expansion in Kansas City. But as the development continues, the problems that come with growth become larger. Your local government is the logical place for these problems to be settled to the best interests of all concerned. Your participation in the solution of these problems should be a natural result of your financial interest in the whole process of growth. Obviously your participation is a necessity for orderly growth.

Since I am making suggestions as to what you can do to help promote stable economic growth, it is incumbent on me to touch the subject of my work, monetary policy, as related to economic growth. For at least 10 years now, the encouragement of sustainable economic growth has been a stated objective of monetary policy. We realize that our primary responsibility is toward short-run economic change -- the cyclical swings in activity -- and not toward the longer-run problems. We can and do alternately tighten and relax credit to minimize cyclical excesses.

Monetary policy decisions in the past frequently have been viewed as a super-indicator which many have interpreted as signaling the trend of the economy for the following year or two. At times these have been valid interpretations. However, increased foreign competition today is a substantial and real influence on our economy. Also, our job as reserve banker to the free world imposes responsibilities

on us. Because of these great influences, it is possible that monetary policy decisions in the future should not be relied on as indicators to the extent that they have been in the past. It may well be that from time to time in the future it will be necessary to make small changes in credit policy alternately in the direction of ease or restraint within a single phase of the economic cycle.

If we are even to approach the goal -- which I believe we all accept -- that the magnitude of cyclical fluctuations should be reduced, then it obviously follows that we must do a more precise job of adapting the availability of money and credit to economic developments in the short run. If we are to do this, it is important that these day-to-day adjustments not be misinterpreted by the business community as signals of a cumulative chain of actions in one direction or the other. Perhaps we can foresee a little of what might be ahead for us in the experience of some of the European countries in recent years -- where changes in the bank rate have been made which were not based on any current or prospective change in internal economic conditions, but solely on international developments.

The sum of what I am saying is that there is no certainty that monetary policy in the present circumstances will follow the historical patterns of the past decade.

Sometimes I think we human beings spend too much time in the pursuit of material wealth, which is another way of saying economic growth. It is true that the many conveniences and luxuries which a

vast majority of our people enjoy today can be foundations for a productive life. If these foundations are to serve their greatest purpose, we must build on them. Let us develop a greater understanding for all people -- whether they live across the street or across the ocean. This will be our monument to Him in whose image man was created. If we press on with vigor in the unending quest for freedom and order in the world, we will have kept faith with our forebears and given inspiration to our offspring. -- Could there be greater obligations than these? I am optimistic about man's role in the universe. Thinking this, I have faith that our cause will succeed. For I share the sentiment of W. E. Henley in his poem "Invictus" that we are the masters of our fate.