

## THE IMPORTANCE OF SAVING

Remarks of A. L. Mills, Jr., Member, Board of Governors of the Federal Reserve System, before a joint meeting of the Chambers of Commerce of Eugene and Springfield, Oregon, held at Eugene on Friday, November 1, 1957

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Throughout all of the world-wide turmoil that our generation has experienced, nothing has happened to change the meaning of that time honored saying, "Saving is a virtue." In fact, the virtue of saving grows each day, both in its moral and material sense. This is so because saving is the foundation on which our national well-being and prosperity rest. For example, without the benefit of saving, the United States could not securely maintain its position of leadership among the free nations of the world, who must stand together as a bulwark against a threatening alien social and political philosophy that is backed by armed might.

Obviously, there must be financial support for the tremendous responsibilities that have been thrust upon our national government at home and abroad by a relentless march of events. Saving is the best form of financial backing that can be given to the performance of our national and international duties because it is an economic function essential to maintaining sound business conditions. Investment in United States savings bonds is a preferred form for saving to take as it is a means through which the investor can enjoy the material satisfaction of an adequate interest return on his investment along with the moral satisfaction of sharing in a vital, patriotic endeavor.

Unquestionably, helping to finance our national government's programs at home and abroad deserves the same kind of patriotic public response that was forthcoming to finance our earlier direct war efforts because, at bottom, our national security and well-being are still at stake. Moreover, with respect to the business side of our international relationships, it is clear that the advantages accruing to the United States as a great trading nation have grown proportionately to the breadth and reach of our world-wide alliances. Inasmuch as foreign trade is a factor that is vital to our general prosperity, investors in United States savings bonds act in their own self-interest by fostering the conditions under which our foreign trade can flourish.

But, important as good international relations and an active foreign trade have become to our national security and general prosperity, they cannot exist unaided and except as they are nourished by a strong domestic economy. It is in this area that saving is of greatest significance, both in its moral and material aspects.

On the moral side, saving motivated by patriotism is always a virtue to be cultivated. On the material side, saving is something that individually brings pecuniary rewards and collectively affords economic protection to the preservation of those rewards. For this last reason, savings have been put in the front rank of the forces

that are essential to maintaining sound business conditions at home. The reason for this is that as savings must first be accumulated before they can be put to use, their expansionary effect on the course of business at a time of exceptionally high business activity -- when moderation should be the proper watchword -- is less than that of bank created credit.

As you know, in these last few years when inflationary factors threatened to undermine the soundness of our national prosperity, it has been an objective of national economic policy to discourage the over-expansion of credit and to encourage the use of savings in ways that, in combination, will foster economic stability and forestall the occurrence of the kind of conditions that tend to interrupt and check the even progress of economic growth. Moreover, in view of the central position that the Federal government holds in all of our national economic affairs, it is essential that its requirements be financed as far as possible from savings.

It follows logically that when the Federal government is financed to the maximum extent possible from savings, the public interest is served best at the same time that the personal interest of investors in United States savings bonds is advanced, both in a moral and material sense. Moral, in the sense that such investment, by helping to foster business stability, assists the government to shoulder confidently and capably its world-wide responsibilities.

And, material, in the sense that such investments are a brake against the growth in the kind of spending in all walks of public and private life that causes prices to rise, the cost of living to increase, and ultimately makes saving more difficult and less fruitful. When, in addition, account is taken of the fact that the interest paid on United States savings bonds is in line with the high quality and redeemable features of the security offered, there is assuredly every material incentive for making this form of investment.

However, it is not enough to urge the use of savings as the most desirable basic means of financing the Federal government's operations. It is just as necessary that the same principle be applied to other types of public and private financing whose requirements, of course, exceed that of the Federal government. This is not to say that a wide use of credit is not an essential ingredient in economic growth, but that there should be a proper financing balance between the use of savings and credit, with the weight tipped to the side of savings at a time like the present when a vast amount of credit is already in use. It is in the light of this reasoning, that Federal Reserve System policy has been on the side of restraining the expansion of credit. It is for comparable reasons that the Federal government has acted to reduce governmental expenditures wherever possible.

If we are prepared to accept the thesis that the United States is pretty much what we make of it by our moral attitudes and our business actions, a bright future lies ahead provided we make the best of the present. One way to do so is through the purchase of United States savings bonds. The moral and material rewards to be gained by investing in America are very great indeed.

