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Remarks of J. L. Robertson  
Member of the Board of Governors  
of the  
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of the  
New Hampshire Bankers Association  
Wentworth-by-the-Sea  
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## "Hard Problems and Soft Hearts"

The refreshing and invigorating air of June in New Hampshire gives me courage to unburden myself regarding two subjects that have been rattling around in my mind, louder and louder, for several years.

We Americans pride ourselves on our many-sided national character, but whether we come from the more sophisticated parts of the country or a place like my home town of Broken Bow, Nebraska, we all tend to boast that we are hard-headed and softhearted. Consequently, it is almost heresy to tell a group of one's fellow Americans that they feel too much the importance of getting things done - and fast - and that at times they are shortsightedly tenderhearted. Yet, that is precisely what I want to do.

Perhaps a psychologist could explain this, but it seems to me that right now, while life on our planet becomes more and more complex - in politics, science, culture, and economics - its inhabitants (in this nation, at least) keep calling for simpler and simpler solutions.

It was never easy to pull live rabbits out of empty hats in any field of activity, and it is particularly difficult today. We have - apparently - pulled rabbits out of our scientific test tubes. Many of these achievements burst upon us (sometimes literally) as faits accomplis, and most of us overlook the enormous expenditures of manpower and wealth that precede these achievements.

Perhaps it is because of the glamour and the clean-cut unquestionable success of rockets, jets, and satellites that we have a tendency, more and more, to demand that the same kind of dramatic success be achieved in such areas as international relations and economic progress - in the achievement of universal and permanent peace and prosperity.

On first thought, it might appear that there is no reason we cannot get these results, and get them fast. Suppose it is true that a successful satellite means that 10,000 scientists worked hard through the International Geophysical Year and that a billion dollars was spent before the 22-inch

ball began to circle the earth. Are not our political and economic problems even more important? Of course they are! So why not put twice as many men and twice as much money into the effort and get those problems solved? We would save the manpower in the first year of full employment and the money ten times over in the first year of complete disarmament!

At the risk of seeming to be a man without vision, and even a pessimist (which would astonish my friends who have spent a lifetime trying to restrain my ebullience), I must say plainly that problems involving the relations between people and between nations just cannot be solved in that way. There is lots of room for difficult, factual thinking and analysis, and lots of room for courage and integrity and tact and patience, but the broad problems of man's interrelations cannot be dealt with by test-tube methods. In fields of this kind, all we can do is to think through all the factors we know of - many of them constantly varying factors - and come up with what we hope may be at least a partial solution, a step in the right direction, and every such step must be acceptable from the point of view of psychological and political realities - not just on paper.

Work of this sort, by people who are identified with business and finance, or with the labor movement, or with local and national government, or international organizations, is painful and often frustrating work. And it is made more so by what I feel is the increasing lack of patience - unjustified lack of patience - that permeates the thinking and the attitudes of too many of us.

Perhaps journalists must share some of the responsibility for what I refer to as "headline thinking"; in any event, today we tend, more and more, to be dissatisfied with any program that is not strikingly and dramatically dynamic, and does not promise immediate and complete success.

An important element of this much-desired dramatic quality is simplicity. Simple statements can be fitted into headlines or into brief newscasts. Like Procrustes, who

fitted his victims to an iron bed by stretching the short ones and cutting off the legs of the tall, we try to fit the complex problems of modern life into a pattern. They must be made simple, and one side must be all black and the other all white - we have no time for fine shading.

Along with this quest for simplicity is a belief that for every problem there must exist some magic and neat solution. For business problems, therefore, we now call in management consultants, and even in our home life we try to have our problems solved by counselors of one sort or another. This reflects our faith that easy solutions to our problems can be found. But we expect that any thinking and analysis will be done by the consultant, and that all we need do is apply a simple rule of thumb.

This faith in dramatic and simple solutions for every problem sometimes makes it difficult to achieve the very gradual gains that are the most we can realistically hope for on most large economic and political problems. Often we simply will not give intelligent and dedicated people - in government, for example (and I am not this time speaking of my own part of government) - enough time to achieve results. If nothing dramatic has happened for a few months we are likely to raise a hue and cry that compels the abandonment of a sound program in favor of something more headline-worthy.

Feeling intensely that this is a dangerous tendency in our generation, I am pleading for restraint, self-control, trust, and above all, reasonable patience, as we struggle with problems that far exceed in complexity any that confronted our forebears 50, 500 or 5,000 years ago. Each of us, in his own work, knows the need for making haste slowly - that we do not overturn the structures of our organizations, but instead constantly seek to try new ideas and new methods. If they work, we adopt and improve them; if they prove impractical, we look around to see what other alternatives there are.

I hesitated to talk to you about this tendency toward what I call "impatient haste", because it involves feelings

and attitudes which are not easy to present clearly and concretely; but it is a matter that, to me, is of such paramount significance in American life that I decided to grasp this opportunity to express my feelings about it.

Perhaps these attitudes will be more concrete in connection with my second object of attack - shortsighted tenderheartedness. On this matter, I am going out on a limb; I am venturing to disagree not only with certain political personages and other important public figures, but - even more dangerous - with some of our most influential cartoonists.

Since the summer of 1958 it has been brought out, again and again, that, despite the strong and sustained upward trend in our country's industrial production and gross national product, the number of the unemployed is still close to 5 per cent of the total labor force - which is above the unemployment rate of other periods of general prosperity. This is a serious situation. It constitutes a real challenge to do our best to see that our economic system benefits all of us - not just those who are fortunate enough to be employed.

At the same time, we must resist the temptation to oversimplify the problem and to expect a magic and painless solution for it. However, it is on this very basis that many of us have succumbed to a combination of the impatience and the "headline thinking" I have been talking about. Add this faith in easy solutions to the human sympathy we all feel, and we come up with a hullabaloo about an alleged conflict of "human rights versus property rights" and denunciations of people who are said to consider the difference between a stable dollar and inflation to be more important than the difference between human happiness and human misery.

In the great current economic controversy, one hears a good deal about "real values versus abstract concepts" and "human values versus economic shibboleths". Those who espouse this kind of tenderheartedness point out that people cannot eat the cost-of-living index, or wear the price level, or go riding in a stable dollar. They then assert that the

real measure of a country's economic prosperity is the physical volume of goods and services it produces and consumes. They say, in other words, that the true test of prosperity is physical units, not the number of monetary units - the number of dollars - at which the physical production is valued.

The argument goes on that, since maximum physical production and use are the proper objectives of economic policy, we should pursue whatever course will maximize production and use. Accordingly, everything possible should be done to encourage the full utilization of our productive capacity, which is made up of plant and equipment plus employable people. Let us immediately create enough demand, it is suggested, so that we will have all our machinery running and all of our labor force occupied.

In this program the role of monetary policy is perfectly plain. The more available and the cheaper we make money and credit, the more it will be used to utilize our productive potential and to expand that production. Ergo (as we used to say in the course in Logic), the only function of the central bank in a capitalist society is to keep bank credit plentiful and cheap, as long as there is an unemployed person or an idle machine.

This line of reasoning is so very plausible that it almost convinces me as I repeat it. If an economic system is available that will give the average American family two cars instead of one, a better house, better diet and clothing, better educational opportunities and recreation, who could conceivably oppose that system simply because the breadwinner of that prosperous family would count his annual income in millions of dollars rather than in thousands? Wouldn't it be better for a modest home to be priced at \$10 million, when the average American family can afford that \$10 million house, than to hold the price of such a house at \$10 thousand by measures that make it impossible for millions of Americans to buy the house at that figure? What price "monetary stability" in the face of these economic realities?

Put in those terms it may seem to some that there is only one possible answer, particularly because we are all concerned about the undeniable evils of unemployment - its bad effects, material and emotional, on the unemployed worker and his family. As a result, one feels that he must be a latter-day Scrooge when a sixth sense urges him to resist the doctrine that any measures, no matter how extreme, are justified in an effort to reach full employment of our labor force.

But if we can resist being swept off our feet, and if we can give just a few minutes of sober thought to realities, the sound basis for our sixth-sense reaction appears. When somebody - and he is not necessarily a demagogue - asks us to choose between a stable dollar and human happiness, he is simply presenting a very misleading option. We are not faced with a choice between monetary stability (bought with human misery) and human happiness (at the insignificant cost of a little inflation). Those who say we must choose between full employment and full production on the one hand, and a sterile maintenance of a stable dollar on the other, are offering us an unreal choice - not a real choice.

I agree that a policy of unrestrained monetary ease might have the immediate (although temporary) effect of stimulating production and employment. Such effects have been observed in the past both in this country and abroad. But what is the cost?

The first cost is well known - the injustice and misery that inflation causes. Temporary unemployment is hard on its victims, but if one is to be truly and effectively tenderhearted he must not forget that the victims of inflation can be even more numerous and also can be subjected to real suffering.

Thanks to the great progress in medical science and to the greater prosperity of our country, our people are living longer than ever before. The ranks of men and women who are dependent on retirement income are growing rapidly. At the present time over ten million retired workers are receiving either social security benefits, old-age assistance,

or public or private pensions. The incomes of these people, as well as the earnings of many employed people, do not adjust readily to every increase in the cost-of-living index.

These citizens, who have performed valuable services for society in the past and whose welfare depends on the maintenance of a sound dollar, deserve no less consideration than the smaller number who may suffer temporary unemployment.

The second cost is less well known in this country, at least to the younger generation. It is the cost of the aftermath of the unsustainable inflationary boom. Inflation is like a dream - it may be very pleasant for some - but it must come to an end. The end is likely to be very painful. Why cannot this pleasant state of inflationary euphoria last indefinitely? The answer is easy enough to find in the postwar experiences of a number of countries that tried the experiment. We are now beginning to get a glimpse of it in the United States.

Inflation not only raises incomes, it raises costs. If every country in the world inflated as rapidly as we, this would perhaps make no great difference, except to that part of our population that did not enjoy a corresponding rise in income. This is about what happened during the early postwar years. Inflation here did not have disastrous effects on the economy then because other countries were inflating as much or more.

But this is not the situation today. Western Europe, at least, has largely stabilized, and we know from the actions of the major European countries during the past year that they do not intend to surrender meekly to inflationist pressures. These countries are our friendly competitors here in our own market, and in world markets. If our costs of production go up and theirs do not, we will lose business to them. It is true that our exports represent less than 4 per cent of our gross national product, but exports are of very real importance to many American industries. Import competition is no less important; witness the mounting pressures for protection through tariffs and quotas in many

industries. The inroads being made by foreign competition should be a matter of vital concern both to American businessmen and to the workers employed in American factories.

The large deficit in our balance of international payments in 1958, and its continuation so far this year, indicates that we are losing business to our foreign competitors - both abroad and at home. The much publicized drain on our gold stock is a reflection of this. The fact that there is a limit to our ability to sustain balance-of-payments deficits, and that this in turn limits the degree to which we can inflate - with impunity - our costs and prices, does not seem to have seeped into the thinking of the proponents of easy money and "controlled" inflation.

Theoretically it is possible to continue inflationary policies on a controlled basis, but it could only be done if the American people were willing to pay the price of putting up with governmental economic controls sufficiently rigorous to do the job.

Such controls would have to go further than the price and wage controls we knew during the war. The government would have to tell us not only how much we might pay for a product or how much we could earn, but also how we could spend our money. In addition, we would likely find ourselves shackled with controls over foreign exchange like those that Western Europe, happily, is now abandoning. We would find more and more pressure to erect barriers against imports to protect our industries against foreign competition. We might even be obliged to pay higher taxes to provide subsidies to enable them to export.

In this situation, the dollar would cease to be the world's soundest and most sought-after currency. Our prestige would be impaired, and with it our ability to play our role as leader of the free world.

To make matters worse, the crippling controls and the loss of the benefits that we gain through foreign trade would injure us economically. We might have full employment, but we would be burdened with distortions in our

economy and inefficient and high cost production that would hinder rather than facilitate our long-run sustainable economic growth.

What I am saying, in other words, is that, over the long term, the very objective at which proponents of permanent monetary ease direct their efforts, with such single-minded intensity, will be more fully achieved by the stick-in-the-mud "stable dollar" policy of which I am an advocate. Viewed from the standpoint of even as much as a decade, it is my firm belief that the aggregate production and consumption of goods and services in our country will be greater if we maintain monetary stability and thereby encourage sustainable economic growth, than if we embark on a "snowball" policy of boom and inflation. The latter would surely lead to a crash at the bottom of the hill - an economic catastrophe which we can ill afford because it would jeopardize the maintenance of peace, which, in today's world, is dependent not only upon our military might but our economic strength as well.

I am so confident of my position in this matter that I beseech you to stand with the Federal Reserve System in resisting the siren song (with its myriad variations) based on the deceptively simple theme that the only worthwhile economic objective is maximum production; that this objective can be reached only by the road of permanently easy money; and that "a little inflation" (even with its cruel injustice to the fixed-income segments of our population) is a small price to pay for this achievement.

We must be assiduous in calling attention to the false notes in that song. We must drive home at every opportunity the actual situation, that the goal we are all seeking - the maximum real prosperity of the American people - will not be achieved through policies based on the idea of "let's keep the boom going and devil take the hindmost", or even the very current one of "let's keep interest rates low, at any cost". It can only be achieved by adoption of - and adherence to - undramatic sober policies that will enable the productive American economy to march steadily forward, constantly providing all of us with more goods and services

and enabling us to seek "more than bread alone" in the form of educational, cultural, and spiritual development.

If good sense, based on a solid foundation of fact and correct thinking, is to prevail, it must be the good sense of the American people. Therefore, it is the obligation of each of us to seize every opportunity to present these truths to his neighbors. Each of us must perform his day-to-day tasks, but above and beyond that we can perform no job more fruitful and more rewarding to ourselves and our country than to strive - as individuals and together - to maintain this country as one in which the great decisions are based, not on impatient haste and shortsighted tenderheartedness, but rather on facts and on reason.