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## The Battle against Economic Illiteracy

Since this Convention was opened with an address by a distinguished clergyman, who courageously ventured into the midst of the moneychangers, it seems appropriate for me to follow the minister's practice by setting a text for my own remarks. Now there are many texts that might be appropriate for a gathering of this type. Obviously, I could not use Shakespeare, for he was very much down on banking. You will recall his injunction, "Neither a borrower nor a lender be." Rabelais would be more appropriate, for he said, "It is a divine thing to lend; to owe is an heroic virtue." It is strange that one never sees those words emblazoned over the porticos of banks. Of course, they would not do for a central bank, which, as the lender of last resort, seldom encourages others to borrow from it.

In considering the various possibilities, I was concerned that I not choose a topic that would leave any of you muttering, "Hebrews, Chapter 13, verse 8." I had better explain that. Years ago when my home town, Broken Bow, Nebraska, was a pioneer settlement, a minister of the gospel resided there for some months in a boarding house which was not noted for the variety of its cuisine - that means they served hash every day. The boarders were afraid to complain, however, since this happened to be the only boarding house in town and, besides, the burly proprietor had no hesitation in throwing out anyone who dared remonstrate, supplicate, or petition. And so they all suffered in silence, all except the minister, who, as the hash was served up at every meal, was invariably heard to utter, "Hebrews, Chapter 13, verse 8." Needless to say, this aroused considerable curiosity, and finally one of the boarders unearthed a Bible so that he could unravel the mystery of this remark. All the curious pioneers gathered round as he laboriously hunted for the passage, and when he found it, this is what he read, "O Lord, the same yesterday, and to day, and for ever."

At last I decided that in view of the educational interests of the American Institute of Banking, a theme touching on knowledge and learning might be more suitable than a topic limited strictly to banking, which, coming from me, might evoke some remarks about Hebrews, 13:8. I therefore selected the following text adapted from, I think, the American sage, Josh Billings: "The trouble with most of us isn't

so much that we are ignorant, as knowing so many things that ain't so."

I am afraid that there are very few of us who could not properly apply this text to ourselves, but we are likely to be most aware of its validity in examining what passes for knowledge outside our own circle. The expert can readily detect errors within the confines of his specialty. He is usually less ready to admit the possibility of error in his own views in the many areas in which he is not a specialist.

In this world of greater and greater specialization, we increasingly see examples of the prominent expert who strives to bring to bear his eminence, though not his expertise, in fields that he has not studied with the requisite care. There is the chemist who is convinced that the social security program is ruining the country, the toothbrush manufacturer who knows that the scientists are bungling the space program, the television comic who expounds authoritatively on delicate diplomatic problems, and perhaps even - as someone else might say - the central banker who discusses defects in our educational system.

Now I do not wish to suggest that we leave all our problems strictly to the experts and reject all nonprofessional opinion. There is probably no field of human knowledge in which the so-called amateur cannot make a contribution. This was dramatically demonstrated a few years ago in the field of nuclear physics - an area that most of us would not consider likely to be conquered by the self-educated amateur. You may recall the story of Nicholas Christofilos, the obscure elevator engineer of Athens, Greece, who began to pester American nuclear physicists with his ideas soon after the end of the war. They thought he was a crank at first, but he took the advice they gave him on books that he should read, and before long the experts were compelled to admit that he had some ideas worth considering. The culmination of this came with Project Argus, the nuclear explosion tests in space in 1958, which proved theories developed by the Greek amateur physicist who had successfully invaded the camp of the experts.

If this can be done in so new and difficult a field as nuclear physics, it should also be possible in the older -

though no less difficult - fields of economics, finance, government, and education. It is in fields such as these, even more than nuclear physics, where daily decisions profoundly affect the lives of millions. It would be practically impossible and morally indefensible to brush aside the views of any of the affected millions simply because they were not professionals in these fields.

This does not mean that one man's opinions are just as good as those of anyone else. Christofilos won the recognition of the nuclear physicists because he painstakingly educated himself in the difficult but essential facts and principles which had already been discovered. His example illustrates two points: first, that the specialists should not smugly dismiss the outsider; and second, but not less important, that the amateur who wishes to be heard by the professionals has an obligation to educate himself carefully with regard to the essential facts and principles.

No professional should ever be unhappy merely because an amateur has ventured into his field. He should feel encouraged by the interest manifested, and do all in his power to interest a greater number of people. However, he has every right to object when he finds that the novice, and in some cases the professional, has not bothered to do his homework and is either one of those who knows a great deal that is not true or who speaks in reckless disregard of what he knows to be true.

It seems that one is especially likely to encounter this problem in economics. Here men are particularly prone to take to their bosoms ideas and beliefs that, on their face, appear to serve their own narrow personal interests - which they equate, often erroneously, with the national interest.

I do not assert that all differences of opinion on economic questions could be solved if men were only more careful about their facts, but certainly the area of disagreement would be narrowed considerably. The facts are not always easy to come by. Our modern methods of education unfortunately do not place great emphasis on seeking out primary sources of information. Even in college most knowledge is pre-chewed and pre-digested and offered to the students second- or third-hand in textbooks. Indeed, the trend seems to be against

placing emphasis on factual knowledge, and since facts are not considered all-important, the logical conclusion is that there is little need to teach how and where to check the accuracy of statements that purport to be factual. What is supposed to be important is not hard, factual knowledge, but attitudes and feelings on a given subject.

This leaves the individual at the mercy of the spell-binder, the huckster, the word-artist. Unless he is prepared to knuckle down to the laborious task of checking claims against facts, one is doomed to become burdened with a stock of "knowledge" of questionable validity. He must resign himself into the hands of someone who sounds like an expert; and the gullible one - and even the not-so-gullible one - is apt to believe anything that gets into print. He is likely to end up either thinking with his glandular system or abdicating the power of thought to some popular pundit - or even a cartoonist.

A good example of this is the attitude that one encounters all too often these days that it is absurdly shortsighted to give any consideration to the question of balancing the budget in determining public policies. How often have we heard that such and such a program has failed to get the funds it deserved because of "narrow budgetary considerations", or that an administrator suffers from "budget-balancing blindness"? One would think that those who have been concerned with fighting inflation through a sound fiscal policy were the victims of a phobia which left them blind to the real needs of the country. The Federal Reserve has also been attacked for using monetary policy for this same end. The Governors of the Federal Reserve System are, by implication, portrayed as being either obtuse or callous, or both, simply because in the discharge of their responsibilities they find it necessary to weigh the hardships which result from inflation as against the very worthy purposes for which some would be willing to depreciate the value of the people's money without regard to consequences.

I doubt very much that many of the people who repeat these hackneyed charges have given any real thought to the question whether it is desirable to tax by inflation. Taxation by inflation is simply not an acceptable or morally

defensible policy for the United States of America. We have long been concerned in this country that our system of taxation be just and equitable; that the heaviest burden not be placed on the backs of those least able to bear it; and that the tax system not produce serious economic distortions that lessen the will to work, to save, and to invest in constructive activities.

This concern has been one of the factors that has stimulated our economic growth and made this a great and wealthy country. I find it interesting to note that the economic system that is competing with us in the world today seems to be characterized by what might be called the "Midas touch". It has the knack of turning necessities into luxuries, to the sorrow of the consumer. Conversely, we have acquired the more gratifying power of turning luxuries into necessities. However, we must bear in mind that anything we can afford to do by inflationary policies, we can afford to do by noninflationary means. Inflation is simply a form of taxation; it adds nothing to our resources; it merely redistributes them. The trouble is that the redistribution is not based on principles of equity. By the very nature of the process it is bound to be unjust.

It may be true that we should devote more of our rising income to those services that can best be provided by government, but is it fair to present the bill to those among us who have shared least in the rise in income? This is precisely what we do when we permit inflation to go on. We present the bill to those with fixed or relatively inelastic incomes, such as our millions of retired workers, who are unable to protect themselves against rising prices. Their real incomes are eroded, while those more favorably situated enjoy not only improved public services, but an increase in real income as well.

If you want to get the full flavor of the injustice of this process, read the record of the hearings in Congress last year on the plight of our educators who have had the misfortune of living long beyond the retirement age in a period of inflation. It is truly disheartening to read that noted men of learning have been reduced by inflation to a state of beggary in this great, rich country of ours. I am sure that

many retired bank officers and employees have suffered similarly, though no one has brought the spotlight to bear on their situation.

It is surprising to me that so many people who are genuinely motivated by humanitarian impulses and concern for the well-being of the unfortunate have, perhaps unthinkingly, allowed themselves to accept the view that the pursuit of monetary stability through sound fiscal and monetary policies is reprehensibly shortsighted and inhumane.

It is surprising because the principles involved are not as abstruse and difficult to comprehend as the theories of nuclear physics. Indeed, they should be susceptible to mastery by the average student. I only wish that in these days of critical re-examination of what our young people are learning in school, there were more appreciation of the fact that the survival of our free institutions may depend even more heavily on the knowledge that they acquire about economic laws than on their understanding of the laws of physics. It is vitally important that we develop skilled physicists, but it is not essential that everyone be knowledgeable in that sphere. On the other hand, in a democracy where, in the final analysis, the people determine the course of the economy, it is important that all of us cultivate the will and the capacity to seek out the facts that bear on public economic policy and learn to interpret them rationally.

In this field, one of the big tasks that confronts us today is to devise ways and means of bringing about a wider public understanding of monetary policy. Why? First, because it is probably as important as any single factor (other than war) affecting the economic welfare of the people of the United States. Second, because, being a difficult topic to grasp and hold, in the absence of a basic understanding of economics, it lends itself easily to misrepresentation of the real problems and misunderstanding of the real values involved. And finally, because Americans, knowing the facts and the choices, are more likely to make the proper judgments and decisions with regard to the critical issues in the monetary and credit field.

Someone may ask: "What is the monetary policy of the Federal Reserve System?" The answer is quite easy. Our policy

is to make available all the money and credit the economy needs for both normal operation and healthy growth, but not so much as to induce inflation or so little as to set the stage for a depression. Since both inflation and deflation have causes other than money and credit misbehavior, we cannot hope to achieve perfection. But our aim is to see to it that boom and bust cycles do not arise from money and credit causes, and to moderate (within the limits of our power) cyclical movements stemming from other causes.

Some of our critics seem to be deeply dissatisfied with anything less than some form of economic alchemy whereby we can eat our cake and have it too, or indulge in excessive spending with its resultant inflation and corruption of values and yet maintain stability in the purchasing power of the dollar. Frankly, we have not yet found the formula for this kind of economic alchemy, any more than the scientists have been able to find a formula for changing base metals into gold.

The credo that underlies our policy and our efforts to make it effective is our conviction that monetary stability - which means a dollar that will buy approximately the same amount of goods and services from one year to another - is necessary to aid the growth of our economy and improve the standard of living for the people as a whole.

These are simple and direct statements which can be readily understood and can be demonstrated to have real meaning to the man in the street. After all, there are relatively few American families today which are not contributing to some form of pension plan or life insurance program, or do not have a savings account or some savings bonds. In these circumstances, is it difficult to choose between a dollar of stable value and a dollar that will buy less and less each year?

Unfortunately, we are not as a nation placing the emphasis that we should on subjects like these. If Admiral Rickover thinks that mathematics is being neglected in American schools, he should take a look at economics. A recent study by the National Education Association concluded that most of our high school and college students would fail even



a rudimentary test dealing with the economy of their city, state, or nation. The sad fact is that fewer than one-quarter of our high school graduates have taken courses in economics. Even if we assume that every student who takes an economics course emerges with a good basic knowledge of the subject and an ability to dig out the facts and think for himself (a rather far-fetched assumption), we still have a very high percentage of our high school graduates who must either acquire the requisite knowledge in college or educate themselves. Since only a small percentage go on to college, the number who must be self-educated, if educated at all, is tremendous.

I must say that there is abundant opportunity for self-education in this country. We have a seemingly inexhaustible outpouring of the printed word; newspapers, magazines and books are readily available to everyone. Of course, our newspapers devote less space to the activities that come under the purview of the Federal Reserve System than to those that are of concern to the Criminal Division of the Department of Justice, and I am sure that Playboy magazine has a somewhat larger and more avid readership than does the Federal Reserve Bulletin. Someone has suggested that this may be because of the difference in the illustrations. I do not understand this because in illustrating our articles, we, like Playboy, always try to make liberal use of curves and figures.

The truth of the matter is that too few people will go to the trouble of educating themselves. Even where the will is present, it is often overwhelmed by the multitude of distractions that push and tug all of us from every side. Amusement is far more popular than self-education, as the facilities for entertainment in our society attest. It is for this reason that an organization such as yours is so important, for it provides not only the opportunity but the stimulus that helps men overcome the temptation to fritter away their time and enables them to improve their professional skills and to grow in understanding.

I fear that we are making a grave mistake in leaving economic education so largely to chance. If we would preserve for our children the kind of society that has made this

country great, we must see that those in whose hands our future rests have an adequate understanding of the basic principles of our economic system, as well as the ability and inclination to examine the facts before reaching conclusions.

We cannot expect them to absorb this understanding from the free air they breathe or from the food that they ingest. Neither nasal passages nor alimentary canals are particularly good channels for introducing economic knowledge into the human organism. I would add, parenthetically, that this applies equally to people in other countries, including those in the less developed parts of the world. A visitor who recently returned from talks with high officials in the Kremlin reports that the Russians have the impression that we Americans do not know what the contest in the world today is all about. The Russians think they are engaged in a contest of ideas. The meager attention we give to economic education in this country might well lead others to think that we have missed the point.

We do not seem to have taken as seriously as we might Emerson's dictum that "the world stands on ideas, not cotton and iron." It may be easier to produce cotton and iron than it is to educate our children adequately, but it is certainly not more important. We all have a heavy responsibility to interest ourselves in this matter. The American Institute of Banking collectively, and all of us individually, can perform a great service to the nation by endeavoring to stimulate interest and action in improving education in economics.

The question is not wholly one of money. Rather it is: Are we getting all we should from the \$25 billion this country spends every year on education? Obviously this problem will not be solved merely by larger expenditures. It will be solved only by the concerted efforts of an enlightened citizenry, working with educational authorities, to devise a program that meets the needs of our age.

Some say that such matters are best left to the professionals, that the amateurs should keep quiet. But the same rules apply here as in nuclear physics. The amateurs have a vital interest in this area, and they have every right

to ask questions and dig for the facts. Like Nicholas Christofilos, the self-trained nuclear physicist, let us first do our homework, and then dare to expose our conclusions to the critical examination of experts. I am confident that we will find that there are practical ways of enhancing the economic understanding of the American people. If we can do this we will have made a major contribution to the survival and extension of free institutions in America and in the world. In fact, we must do it if the free enterprise system, in which all of us believe, and which has enabled us to become the world's strongest force for freedom, is to endure. Whenever we are tempted to sit back and relax, let us recall the words of Edmund Burke, "The only thing necessary for the triumph of evil is for good men to do nothing."