The Federal Reserve System is, of course, very much concerned about the success of the U. S. Savings Bonds Program. Our acting as hosts to this group is an outward and visible sign of that interest. We in the Federal Reserve System are especially interested in having the program succeed because in one sense the success of the program makes the difficult job of using the powers of the Federal Reserve System to foster sustainable economic growth and the stable dollar an easier job.

Since all of you, I know, as loyal Americans have the same goals in mind, I believe that you have had no qualms about devoting the time you are taking today out of your busy schedules to take a fresh look at the savings bonds program.

I am also sure that all of us here today can heartily endorse any thrift program that is a safe and consistent plan. Bankers, in carrying out their day-to-day operations, have a tremendous opportunity to observe the benefits to individuals of a regular, safe, and consistent program of savings. In one sense, a bank's records are a collection of the financial biographies of its customers. They are a history of an individual's income, his spending, his accumulation of assets, his borrowings, and his financial successes or failures. Nowadays this era of mass banking and the use of sophisticated computers to process banking records may have depersonalized banking to some extent. Nevertheless, even computers cannot dehumanize the entries on the records of a bank's individual customers.

Thus, by observation bankers know better than any other class of persons the desirability of promoting thrift; they know how much it means to individuals. Indeed, the responsible banker goes beyond that. He not only recognizes the desirability of promoting thrift but he feels his obligation to take active steps to do so.

There is no question about the long-run value of any program that systematically promotes regular savings. The savings bonds program does this to a remarkable degree through sponsoring payroll deduction plans and other regular savings plans.
There can be no greater safety than that of the savings bonds program because it is backed by the United States government. Consequently, it has a special appeal to those persons in our community who might be inclined to distrust financial institutions, no matter how unfounded that distrust may be. There is no question about whether the interest will be paid. As bankers, therefore, we must all recognize that the savings bonds program has all of the elements of most good savings programs and, in addition, has certain advantages over others.

But bankers know that, although there is no question about the safety of the principal or the payment of interest, there is the possibility that the value of the accumulated savings can be eroded through inflation. Erosion from inflation, of course, is true for any form of financial saving, be it time deposits, savings and loan shares, corporate bonds, municipal securities, or any other fixed income security.

We know that the American performance during the past year has not been one of which we can be proud. If we measure inflation by the change in the consumer price index, each dollar of saving today is worth about 4 1/2 cents less in terms of purchasing power than it was a year ago. In part, this erosion of savings resulted from the failure of bankers and others to convince the American people that they must exercise fiscal responsibility and that economic growth without inflation cannot be achieved unless accompanied by the necessary growth in saving.

You know that the American economy achieved a substantial rate of economic growth in 1968. If we measure this in terms of current dollars—that is, dollars that make no allowance for changes in prices—the growth in the nation's total output, measured by the gross national product, was 9.1 percent. In terms of dollars of constant purchasing power, the increase was only 5.1 percent. Failure in both the private and government sectors to finance our capital investment and economic expansion out of increased saving is chiefly responsible. In this we can lay the blame on both the government and private sectors. The government's fiscal program resulting in deficit financing probably reflected the consensus of the American people. To that extent, Americans have themselves to blame. Since we did not save enough to finance the needs of the government, businesses, and the consumer, we had an excessive credit expansion.

Last year we could, of course, have financed the U. S. government's expenditures out of current revenue had we been willing to either raise taxes or reduce expenditures earlier than we did. This would have avoided our having to finance a government deficit of $16.7 billion in the calendar year of 1968. We could, of course, have financed this government deficit out of the savings of Americans. If this had been the case, then we would have not had the next expansion in new credit that we did, and inflationary pressures would have been reduced.
I am sorry to say that this method of financing out of saving falls into the category of "what might have been." Some of the government deficit was financed from the savings of Americans, but a large part of it had to be financed out of increased credit. Perhaps it would have been too much to have expected the U.S. savings bonds program to have financed all of the Federal deficit. But to the extent that it might have done so, it would have helped tremendously.

I am going to quote a few figures that I believe make this point clear. They are, respectively: $295 billion, $52 billion, $53 billion, and $65 billion.

The first of these figures, $295 billion, is the total amount of the Treasury's marketable issues as of November last year. This figure was about a little over $10 billion greater than a year earlier. The other three figures are the holdings of Treasury securities by three types of investors: commercial banks, Federal Reserve banks, and individual U.S. savings bonds holders—but not in the order in which I gave you the figures.

Even though I have not yet matched the figures with the types of holders, it is already apparent to you that savings bonds holders are in the big league since these holders are among the three major holders cited. As a matter of fact, I find that owners of U.S. savings bonds are just about neck and neck with the Federal Reserve Banks. The Federal Reserve Banks held about $53 billion in government securities, whereas the U.S. savings bonds holders held about $52 billion. Commercial banks held about $65 billion worth of U.S. securities.

The large figure for the savings bonds holders show us dramatically that the savings bonds program as a feature of Federal financing cannot be ignored. To the extent that this figure should decline, it would mean that additional holdings would have to be acquired by the Federal Reserve System and commercial banks or other types of holders. Whereas payment for U.S. savings bonds ordinarily comes out of individual savings, increased holdings by Federal Reserve Banks and commercial banks add to the credit supply. It is to the interest of the American people that as much of the Federal debt be held by individuals in the form of savings bonds as possible. By thus reducing inflationary pressures, we can help eliminate the erosion of savings dollars.

Bankers should support the U.S. savings bonds program to accomplish two goals. First, we ought to try to do everything possible to keep the present high proportion of the public debt in the hands of owners of U.S. savings bonds. In the second place, we ought to try to increase it.
I should like to hope that, along with any success in promoting the purchase of U. S. savings bonds, we would also reap the additional benefit of a wider understanding of the necessity for fiscal responsibility on the part of the average American. Perhaps if the average American owns a share of the U. S. public debt, he will be more concerned with preserving the value of that share and keeping the Federal financial house in order. If so, he may provide the support essential to our representatives in Congress when they are faced with the need to grapple with the nation's fiscal problems.

Bankers cannot take lightly their responsibility for promoting savings bonds. As bankers, they must accept their responsibility for promoting a program of thrift. As responsible Americans, they must support a program that widens the awareness of the need for fiscal responsibility.