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PROBLEMS OF GROWTH

The most basic economic issues facing the world today are embodied in the problem of economic growth. No matter where you go in the world, whether to the free nations of the west, to the countries of the communist camp, or to the host of underdeveloped nations that lie between, this question is sure to be discussed.

Economic growth in the communist countries has been a central goal of state policy, both to provide strength for defense in war and raise living standards, and for the propaganda purpose of impressing the neutrals, the West, and their own people with the alleged superiority of their system. The Soviet Union has had a very substantial rate of growth and this rate has been achieved by channelling a substantial share of resources and effort into investment.

We must view with grave concern their ability to divert and devote considerable of their national productivity to efforts of military and strategic importance. At the same time we should recognize that the Soviets have no monopoly on high growth rates. At least four or five capitalist nations have exceeded the Soviet rate of growth in the last decade.

Soviet growth combines two peculiar qualities: it is exaggerated, but it is dangerous. We must be alert to the danger but not be misled by the claims.

In the underdeveloped countries many of the people live so close to the subsistence level that it would be virtually impossible for them to provide the amount of savings to support the investment needed for even a low rate of growth, so most of the capital must flow in from outside. But since economic growth is not just the automatic outcome of applying investment to an economy, the underdeveloped and semi-developed nations still face many

problems and must look to the outside, not only for some investment capital, but for assistance in the necessary pre-investment activities.

In the United States we have seen what a free market economy can accomplish in the way of growth. Such a free market economy has great dynamic characteristics, and on balance seems to produce better growth over the long-term pull than other kinds. Since it is free and dynamic, however, it is difficult to guarantee its ^apredetermined and steady annual growth rate, and it is difficult for such an economy to allocate its resources to meet the present Communist challenge on the world stage. What is required in such an economy is for free men to see clearly the threats and instruct their Government to take the necessary measures to provide such resource allocation so as to meet the threat.

Central banking - in this country the Federal Reserve System - has as one of its major objectives the promotion of growth. It is probably safe to say that good monetary policy does not by itself assure growth, but bad monetary policy can pretty much assure that growth will not be long term nor very sound.