

"A WINDOW ON THE WORLD"

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When I was asked to speak to this club, I was given carte blanche in the choice of subject matter. Although I had about decided to retire from the rostrum for the year, I could not pass such an opportunity. After seven months of either having to inspire young bankers or scare old ones, alternated with tea leaf readings of the future of our economy, it seemed like a heaven sent chance to take stock and give you and myself a view of the Federal Reserve Bank of Minneapolis and the System to which it belongs. This is not the first chapter of my memoirs, although Mr. Patman and other critics of the System hope they are writing the last chapter. Rather it is the pause one always takes on the way up a mountain when the first level spot on a shoulder has been reached -- a pause to look back, see where you've been, and then measure it against the heights ahead.

The title to this little excursion is not fancy rhetoric. But first let me give you some personal history. For <sup>at least</sup> twenty-four years, I had an exciting and rewarding career as a CPA and a lawyer. Over the years, our firm grew and my professional horizons expanded, with a moderate accumulation of directorships at my belt. These, you know, are the coups or scalps of modern business -- even for parasites on the body politic, as my father was memorialized by a Federal District Judge. But it was a comfortable, stable, assured path I had laid out -- this I want to emphasize.

Among these directorships was one on the Board of the Federal Reserve Bank of Minneapolis. This proved to be an exhilarating experience, and one I

approached with increasing enthusiasm. I anticipated each meeting, and spent considerable time in preparation. To one in my profession, it was duck soup. All businessmen love to gossip -- although it is glorified by the term, "economic intelligence". I was, and am, no exception. Intellectual curiosity is a quality most of us share -- along with monkeys, chimpanzees, and the larger anthropoids.

And then Fred Deming left. Who was to succeed him? The list of candidates was long and impressive, but gradually we worked our way along the glittering array. One morning I was seated at my desk when I received a call from a fellow director, who after some conventional expressions of caution designed to mollify me in advance, said he and several others of my fellow directors had decided I would be a good candidate -- to which I immediately replied with a loud and vulgar sound, I had my future planned. No, he insisted, I should reserve judgment until they had a chance to visit with me. A week later I came in for a meeting, having assured my wife that nothing, but nothing, would ever take us away from our beloved mountains. I was wrong. Atherton Bean was the ultimate convincer. It was he who referred to the position as "a window on the world" -- and to that phrase and my simian curiosity can blame be laid for my defection from Montana.

And truly, it was proven to be just that -- a window on the world. But this is not a personal possession. Rather it is an essential quality of the Federal Reserve Bank of Minneapolis -- a quality inherent in the scope and objectives of each of the Federal Reserve Banks. This quality -- <sup>however</sup> ~~however~~ <sup>perceived</sup> dimly perceived by the late Mr. Holter, <sup>Mr. Hanna, Mr. Wold,</sup> ~~Mr. Hanna, Mr. Wold,~~ and the others of the Citizens League who, with their fellows in other states, agitated for

the organization of the Federal Reserve System -- reflected their determination to devise a central banking system that would at once be responsive to local or regional pressures, but with the elasticity of a national system. Out of their efforts came the Federal Reserve System -- consisting of twelve regional banks, each with roots firmly imbedded in the economic structure of the states comprising the district, and with the Board of Governors as a central, wholly national coordinating agency. Lord knows, there are many structural weaknesses and imbalances of authority and emphasis inherent in the statutes. But like the lady preacher of whom Samuel Johnson observed -- it was not so remarkable that she preached badly, but that she preached at all. We can take pride in the fact that, on the whole, the System has worked, even though sometimes badly, sometimes tardily, and sometimes precipitately.

Its strength, and some of its weakness, is the essential nature of the deliberative, dialectic process of interchange of ideas and views among the twelve Presidents and the seven Governors. Yes, there are weaknesses. To develop a consensus among nineteen disparate individuals requires time and a watering down process that sometimes justifies the "too little, too late" criticism of those who would prefer a simpler, immediately responsive monetary authority.

But responsive to whom -- that is the dilemma of our time. At the present time, opinion filters through the twelve district windows, with but one glass to impair vision of the economic scene. If these were to be replaced by a national computer system and a proliferation of the staff at the Board of Governors, would the process be improved? It might be faster -- but the nuances, the emotional tone of the business community, would be lost.

But it works both ways. This is not one of those windows used in psychology clinics that permit only one-way vision. Each bank has a responsibility to contribute to the level of economic knowledge of its district. There are many influences at work shaping our economic destinies. Some of these, like the steel pressures earlier this fall, Viet Nam, the deficit in our balance of payments -- are at least known to many in the banking and business world of our district -- I suspect to a greater degree than the experts are willing to admit. There are many of these influences, and their number is not a constant, but constantly changing. <sup>January 1970</sup> In September I toured the state with a group from the Minnesota Bankers Association. At Sleepy Eye, the following remark was made -- who ten years ago would have considered the plight of the British pound a major influence on interest rates in Sleepy Eye? That this remark was picked up by the London Economist is probably at least as much attributable to the town name as the import of the sentence. <sup>misquote</sup>

Bits and pieces -- these are the stuff of monetary policy, as well as most business decisions of my experience, for out of these bits and pieces of information emerges the mosaic of knowledge. And who is to say what is important and what is unimportant? Sleepy Eye must be represented even as 195 Broadway <sup>is</sup> ~~in Wall Street~~. This is the function of the Federal Reserve Bank of Minneapolis, and it is my job to see that this function is fully discharged.