

FEDERAL RESERVE BANK OF MINNEAPOLIS
OFFICE MEMORANDUM

Date: September 22, 1972
To: B. K. MacLaury, President
From: J. H. Hammill
Subject: Speech to the American Bankers Association **File Code:**

In reviewing the outline which I assume represents your speaking assignment, I am struck by two things: (1) there is enough territory to support five 25-minute speeches and (2) to try to deal with each of the many points covered might lead to a quick recitation of theories or concepts that the audience can identify with. That might result in too comfortable an experience for bankers and attendees. Instead, I think your mission should be bolder--to prod, cajole, challenge and maybe even frighten the audience a bit.

Mindful of these two points, I think several main themes of "economic realities" should be identified and brought to bear on as many of the sections of the outline as possible. For example:

1. For the past half-dozen or more years, a war of major proportions has visited upon the United States economy stresses to confound economic policy-makers, plus stresses of inflation and cyclical unemployment that have frayed the tolerance of consumers and businessmen alike. That this is an aberration for our economy is, I think, a fair assumption.

2. Population shifts in the last decade have resulted in growing economic impoverishment of core cities and rural areas, with growing costs of social service delivery exacerbated by deteriorating economies of scale plus declines in supporting tax bases.

3. A critical "economic reality" is the need for institutional relevance, whether it be delivery of health care services to a rural area, providing financial services to rural or core city residents, updating banking services to be pertinent to a modern U.S. and international economy (can we refer to Regulation J?), the relevancy of the Federal Reserve System to the U.S. and international economies and the relevancy of individual Federal Reserve Banks in providing pertinent responses to needs of local bankers; the relevancy of institutions such as the International Monetary Fund.

4. The vital "economic reality" of the need for imaginative, relevant and action-oriented leadership at all levels of our society. Some examples that come to mind--the community leadership needs in small towns (George Donohue's observations); work of the Citizens League of the Twin Cities that fashioned the tax plan whereby Minnesota schools are 75 percent financed by the state, with the obvious implication for uniform quality educational opportunities; needs and efforts of the banking fraternity to serve and tap international financial markets, efforts of the user-owned agricultural credit agencies; economic development banks (one of the first in modern times was the Bank of North Dakota).

Subject:

File Code:

5. The "economic reality" that the U.S. no longer has overwhelming dominance of international economic and political considerations.

Threads of these kinds of "economic realities" (you may like others better) can be woven throughout the topics listed as your assigned discussion, and I think the result can be a more significant message and challenge for your audience. For example:

I. Economic dilemmas of our affluent society.

A. Poverty amidst affluence: Are our institutional efforts to combat rural poverty and urban slums really relevant? (Your Fargo, North Dakota, speech). Is the current welfare system relevant to modern needs? What about the relevancy of labor unions in allowing entry to skilled trades? (I'm reminded of George Perry's commentary about the tightness in the skilled labor market in the midst of high unemployment.)

B. The inflation-unemployment dilemma: Your speech last year enunciating the unusual conditions confronting our economy. Perhaps reference to the need for greater coordination in application of public economic stabilization policies.

II. Dilemmas concerning the role of government in our society. Are the increasing requests for government services inappropriate or are the institutions attempting to deliver those services becoming less and less relevant to modern needs and thus more expensive? Should there be multi-county, multi-state and other regional attempts to provide social services?

III. The adequacy and allocation of capital in our economy. Is it only a question of indigenous savings, or is it as much a question of economic activity and liquidity? Moreover, is it inappropriate for capital supplies to surge to and fro internationally? And more importantly, is our United States banking system planning and acting with this perspective? (as they reject Regulation J) Are the suggestions of some correct, that the United States will become largely an exporter of capital rather than goods to the rest of the world? Our friends in S&Ls have some idea about helping to serve capital needs--fractional reserves for savings deposits?

IV. The international economic dilemmas: Questions of national and international institutional relevance, relaxation of international trade barriers, and while we look hungrily and happily at trade prospects with the Soviet Union, Communist China and the United States of Europe perhaps we should address more of our attention to the problems of our South American neighbors.

V. Dilemmas grounded in economic theory: I'll defer to you on this.