INTRODUCTION

A. Feeling

1. Honored
2. Enjoy
3. Embarrassed
4. Inadequacy

B. Shall not discuss responsibility

C. Analytical description - personal

D. Easy to be critical - post hoc, of course only where now agreed it was wrong

I. WAR FINANCE

A. From July 1940 to June 1946

   Government spent ........ $400 billion
   Taxes ........ $175 billion
   Borrowed .... 225

II. OPTIONS ON BORROWING FROM THE PUBLIC

A. To determine the amount - then public determines the rate

B. To determine the rate - then public determines the amount

III. THE BASIC DECISION

A. In verbal terms - on amount

B. In operational terms - on the rate
IV. REASONS FOR THE DECISION

A. Distinction between money and Governments considered unimportant

1. Expenses — taxes = liquid asset increase

B. Economics

1. Demand for funds unaffected by rate
   (a) Government
   (b) Private demands limited by direct controls

2. Supply of funds also unaffected
   (a) Individuals: direct controls — forced saving
   (b) Institutions
       Maturities, new funds

C. Experience

1. Probable results of financing war with rising rates — as in First World War

V. WHAT RATE?

A. Higher

B. Existing

VI. THE RATE STRUCTURE THAT WAS TO BE MAINTAINED

A. Based on institutional habits
   Banks and short funds

B. Uncertainty — expectation of a rise

VII. RESULTS OF MAINTAINING RATES

A. Injecting certainty into a market whose rates are based on uncertainty.

B. Overcoming institutional prejudices — Oct. 1942 issues
   Banks from excess reserves to shorts and from shorts to intermediate eligibles.

C. Importance of volume of short issues
VIII. SOME TECHNICAL FACTORS (effects on bank holdings)

A. Non-eligible securities
B. Limiting direct bank subscriptions
C. War Loan Account and reserve requirements
D. Quantitative measure of success of War Loan Drives

IX. PREPARATION FOR RECONVERSION

A. The last drive
B. The notion of economic maturity
   1. Model builders versus monetary theorists
C. Inadequacy of compensatory fiscal theory
   Possibility of private sector of the economy operating at a fiscal deficit when profit prospects are high enough and conditions of creating money are easy enough.

X. OUR CURRENT PROBLEM

A. Excessive money supply
B. Upward pressure on prices
C. Profitability of creating more money

XI. ALTERNATIVE SOLUTIONS

A. Collective self-restraint
   1. Our regional meetings
   2. Productive versus non-productive credit
   3. Inadequacy of this approach
B. Increasing the price of reserves
   1. Federal Reserve policy since July
   2. Limitations - Government bond prices
C. Hardening other terms of creating money and reserves
   1. The Board's proposals of 1945
   2. The 1946 report
XII. QUERIES

A. "There ain't no free lunch"

B. Relative economic costs of XL B and C
   1. Tradition: National Bank Notes
   2. Pure economics