THE ROLE OF CENTRAL BANKING

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(Brief - barest outlines)

1. Basic economic problem
   Who is going to produce
   how much
   of what
   for whom?

2. Basic approaches to a solution
   (In inflation, how to limit demand to supply)
   a. Centralized -
      Government plans and determines, and orders
   b. Decentralized
      Individual freedom of choice

3. Centralized control system
   a. Method
      Government establishes prices, wages
      Rations (ultimately involves labor direction)
   b. Difficulties (illustrate in inflation)
      Control of essentials makes their production less profitable
      Especially beyond necessities (wide variety) for existence
      "Points" system - or barter - part way back to a market system
      Punch cartoon
      "Of course the reason we have so much sugar is because neither of us takes any."
      What about new products, new companies
      Expensive to administer
4. Decentralized market
   
a. Method
   Some way in which individuals can make their wishes known
   Is it chaos?
   Money - price - overcome scarcitys

b. Difficulties
   (1) Allegation that "rationing by the purse" is unethical
       No one supports absolute egalitarianism
       Income/inheritance taxes
       Effects on incentives

   (2) The need for a stable money (Overall limit on demand)
       Why have we not had it
       Government's needs

5. The Role of Central Banking
   and the interest rate
   availability of credit
   Rigors of the market place
   Full employment
   Stable prices