

A CENTRAL BANKER LOOKS AT PROGRESS

Before the Philadelphia Chapter of the Robert Morris Association
Thursday, April 17, 1958
The Barclay, Philadelphia, Pa.

Philadelphia Chapter, Robert Morris Associates,
6:15 p.m., Thursday, April 17, 1958, Ballroom,
The Barclay, Philadelphia, Pa.

I. INTRODUCTION.

- A. Substituting for Alfred H. Williams - he accepted last fall.
I have inherited the assignment - fortunately it is a pleasant one.
- B. FRB and Robert Morris relations.
1. JVV - past president of Chapter.
 2. WJD.
 3. George Lavin - Bud Widmer - Frank Rehfuss.
 4. I have given several talks before - but turned down four invitations from others yesterday alone.
- C. Tomorrow I will have been in office seven weeks. They have been busy ones!
1. Change of administration always means more work.
 2. March 1 important each year:
Reorganization of Federal Open Market Committee -
2-day meeting.
 3. Thursday, March 6, first Directors' meeting.
(I had been in the Bank 1 day of 5!)
 4. March 1958 especially important because of recession in the economy.

Reduced rate from 3 1/4 to 2 3/4, effective March 7.
From 2 3/4 to 2 1/4, effective tomorrow. (April 18, 1958)
 5. Have had 3 Federal Open Market Committee meetings.

2 Presidents' Conference meetings
4 Board of Directors' meetings.
 6. Pennsylvania Bankers Association: Council of Administration
Group meetings

Saturday at Harrisburg.
 7. Field Meetings: Cherry Hill.
 8. Nine Pioneers in March.

9. Department Heads' Conference.
10. Board Examiners.
11. Patman charges.
12. Byrd questionnaire.

II. CENTRAL BANKER LOOKS AT ECONOMIC GROWTH.

- A. We hear a great deal about Growth.
1. Rates of growth in USA vs. USSR.
 2. A rising standard of living depends on increased per capital output of goods and services.

III. GROWTH IS COMPOUNDED OF MANY INGREDIENTS.

- A. Insatiable desire to comprehend the universe.

B A S I C R E S E A R C H

- | | |
|------------------|--|
| Galileo: | "It still moves." |
| Newton: | Gravitation - apple falling. |
| Einstein, Fermi: | |
| Jefferson: | "We need not fear error so long as truth is left free to combat it." |

Market place for ideas.

1. Environment of freedom in which such individuals flourish.

- B. Technological progress.

Application of knowledge to the productive process.

S C I E N T I F I C D I S C O V E R I E S

- | | |
|------------------------|-----------------------------|
| INVENTIONS OF MACHINES | Synthetic fibers |
| PROCESSES | Plastics |
| ORGANIZATION | Electronics |
| HUMAN RELATIONS | Nuclear energy (harnessing) |

C. Saving and Investing.

1. A and B of themselves add little to output.
2. We need plant and equipment.
3. CONFLICT: Investment vs. Consumption.
4. CONFLICT: Change vs. Security.

Obsolescence.

Immediate vs. long-run growth.

Mobility of resources.

D. Character of our people.

Intense desire to get ahead.

CONFLICT: Production vs. Leisure.

Larger work force + longer hours
vs.

Education, life in the home.

IV. THE ROLE OF GOVERNMENT.

A. Growth in General vs. Growth in Defense.

1. General relationship between size and military strength.

Military strength as such.

2. Government must determine how much shall be devoted to military strength.

Primarily via expenditure.

B. Inevitably this affects general growth not only directly but indirectly.

1. Because of the size of the expenditure.
2. How the funds are raised.

(a) Corporate taxes.

(b) Graduated versus uniform income tax rates.

(c) Should face up to the issue - we can't both consume and invest the same output!

V. THE ROLE OF THE CENTRAL BANK.

A. Should it direct policy toward predetermined rate of growth?

1. What rate?

 Involves ethical judgments on present vs. future.

2. Policy has relatively little direct effect on factors affecting.

3. Hence would look for more effective means e.g. directing flow of credit.

B. Alternative.

1. To help maintain an economic environment conducive to economic freedom.

 (a) Stable dollar -

 So rational decisions can be made.

 (b) Reasonably full employment.

2. Let growth take care of itself.

VI. CONCLUSION.

A. Economic possibilities of our grandchildren.

 My first talk to bankers in Philadelphia,
 February 12, 1942.