

TEXT OF ADDRESS
BY
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CHAIRMAN, BOARD OF GOVERNORS
FEDERAL RESERVE SYSTEM
BEFORE THE
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MR. MARTIN: Mr. Chairman, participants in this Savings Bond Conference:

As your chairman has indicated, I have been identified in one way or another with this program and very proud to be identified with it for the better part of fifteen years now. So I am not here today to carry coals to Newcastle and repeat things that I have said before. But I believe sincerely in this program and it gives me great pleasure, as Chairman of the Federal Reserve Board, to place the twelve Federal Reserve Banks, their branches, and the Board of Governors on record as believing in this program and wanting to do everything we can to help in it.

Savings are essential, not only for individuals but also for the nation. If we fail to recognize the part that capital, surplus, and the savings processes play in our community, we endanger the whole lifeblood of our economic system.

Indeed, experience over the nearly eleven years that I have been connected with the Federal Reserve Board has convinced me that the role of a central bank in a period of expansion is to minimize the substitution of bank credit for savings.

Now, looking to events of the last ten years, the most significant thing that has occurred in that period, in my judgment, -- apart from matters bearing directly on the issue of peace and war -- has been the development of an unprecedented degree of vigorous international economic and financial competition. I do not believe the significance of that development has yet been fully realized. In the Bretton Woods Agreements Act and in the work of those international institutions, we talked a lot about a goal of multilateral, non-discriminatory trade, with convertible currencies. We have not yet achieved that entirely, but we have made such progress toward that goal that we are now dealing with the raising the standard of living of the peoples of the entire world by competitive processes and by the inter-play of competition.

Competition in the things that a central bank is concerned with -- capital, credit, income, saving and investment -- is just as keen as in other lines of business activity and we now have competition going on for these things all around the world even though we still do not have always a clear understanding of what distinguishes one from the other of these interrelated items.

Let me digress for a moment to cite a very wonderful, practical illustration of this that I encountered out in the west not so long ago during the drought period when I ran into a farmer who had had a period of drought and then a period of famine.

He was completely flabbergasted by his problems, and one of the individuals in the party pointed to me and said, "Why don't you talk to Mr. Martin? What you need is credit."

This fellow gave me a good look up and down and spit on the ground a couple of times, and he said, "Credit? Why, hell's bells, I don't need any credit. If I get any more credit, both my wife and I will be dug in for the rest of our lives. What I need is income."

Well, all of these things are interrelated, but the concepts that we are talking about in these phrases are clear to a sophisticated and erudite group such as this. So also is what this change in the world picture means in terms of the role of the central bank and the role of savings in the growth and progress that the community needs for a higher standard of living, and for attaining the balanced progress that can come from meshing these things together. Yet we all need to recognize, I think, once and for all, that during the decades of the fifties, we tended to neglect the consumer and the saver -- a fact that helps to explain why we have an unemployment problem today.

Most of us are looking to growth to help solve that unemployment problem. If we are going to have growth in this country, we need savings and those savings have to be based upon a bona fide understanding that out of profits and income come savings that can go into capital formation and thence into investment.

That is the simple process that has built the greatest economy that the world has ever seen. Our savings bond program is one facet of it. I believe that in the sixties -- and I believe that they are going to be the golden sixties before we get through -- perhaps not the soaring sixties but the golden sixties -- we are going to have growth and development such as we have never had before in this country. But we can have it on a sound basis only if we recognize the necessity of providing jobs through recognizing the role of the consumer and the fact that we have to woo him by offering him what he wants at prices he is willing and able to pay.

The consumer is now in a position where he has a wide choice of alternatives. There are plenty of automobiles and a myriad of other goods and services competing for his favor. I do not have to review that for the group that is now here -- or others like it, in this country and all around the world.

All of us consequently, have to concentrate on improving productivity. As we improve that productivity, we have got to see that the fruits of that productivity are shared with labor, stockholders, management and the consumer.

I believe we can achieve that result if we can have adequate goods and services with competitive pricing and a high level of savings.

And I believe that the current savings bond program and the rate on savings bonds as presently established are in line with conditions today. The stability of interest rates has not so far been endangered by excessive demand for credit.

Now, let me emphasize that I believe you play a real part in this, in the savings bond program. I am not trying to blow this program up into the be-all and end-all of existence, but I am trying to emphasize that this is a truly American program, voluntary in character.

United States Savings Bonds are a symbol just as the dollar is a symbol, and let me say that the success of the savings bond program this year is due in part to the good work that you people have done, but it is also due in part to the stability of prices that has made the savings bond more attractive.

People ought to be able to have confidence in the continuance of the stability of prices which has marked recent times, and I happen to have a deep conviction that this matter of maintaining the future purchasing power of the dollar is something that transcends partisan politics. Democrats and Republicans alike share in a recognition that neither party benefits by depreciation of the currency, and that if we can have a stable currency, we can have the economic growth, improvement in productivity, and the expanded job and the opportunities we need to cut down the level of unemployment.

That is the goal that I believe we are all reaching toward. I believe that it is within our reach, provided that we proceed on a recognition of the interrelationship of capital, credit, income, saving and investment, and that we minimize the substitution of bank credit for savings in so far as it is possible to do it.

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