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President, January 1941 to June 1956



*From the early years of Sproul's presidency until the Treasury-Federal Reserve Accord of 1951, Federal Reserve policy was subordinated to the Treasury's wartime and postwar financing needs. In this 1955 speech, Sproul speaks of the resurgence of flexible monetary policy. He invites the academic economists in his audience to turn their attention to the study of central banking issues and to contribute in this way to informed monetary policy decisions. Sproul's address provides an overview of the structure, techniques, and objectives of the Federal Reserve System and gives particular attention to the policy-making role of the Federal Open Market Committee.*

## **Reflections of a Central Banker**

by Allan Sproul

When you invite someone who is not a professional economist to speak on an occasion of this sort, there is always the danger that he will try to talk like a professional economist, and thus make a fool of himself while failing to fool his audience. I am not a professional economist. I hate to make a fool of myself. And I know I could not fool you.

I may have to skate pretty close to what is, for me, the thin ice of theoretical economics, however, because although I am not a professional economist I am a practitioner of an art which must draw inspiration from the work of professional economists. Central banking is largely practical economics, a sort of laggard son of theoretical economics, and I have been practicing central banking for the past 35 years. My long apprenticeship in the field is the excuse for the title which has

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been given to my talk, "Reflections of a Central Banker." Maybe that sounds as if I were going to give you some rocking chair stories of my experience, but that is not my intention. I think it would be pretty dull. What I would like to do is to discuss a few of the things I have observed and thought about while I have been an officer of the Federal Reserve System and which I think might merit a larger measure of interest and attention from you.

Monetary policy was in the doldrums for a number of years prior to and during World War II. It had been running fast before a brisk breeze for quite a while prior to that time, and then the wind died down and its sails went slack. Big claims had been made for it as a solvent of our economic ills, and when it couldn't support these claims there was a tendency to discard it in favor of more direct and what might seem to be more powerful economic controls. I suspect that somewhat the same pattern could be traced in the interest of

economists, and particularly the younger economists, in the problems of central banking. For a time, preceding and following the passage of the Federal Reserve Act in 1913, such problems attracted a lot of men. Then it began to appear that more important work could be done, or more may could be made, in other branches of economics, while interest in central banking suffered a relative decline. Now there has been something of a renaissance in the use of monetary policy as one of the means of achieving greater economic stability without sacrificing too much economic freedom. If we are careful not to claim too much for it, it may hold its place. And I am hoping that central banking problems will similarly recapture the interest of a new generation of economists.

### **Continuity and change in the Federal Reserve System**

Let me speak first and most particularly about the Federal Reserve System, its organization, its policies, and its techniques. You all know the general organization of the System, but you may not all be aware of the evolutionary changes which have been taking place within the general organization. The main outlines of the System are much as they were when the System was established 41 years ago: a regional system, federal in character, with a national coordinating and supervisory body at Washington and 12 regional Federal Reserve Banks which are the operating arms of the System in their respective districts.

Within this framework, however, there has been a definite tendency for power and influence to gravitate toward the center, a corollary of developments in other areas of social, political, and economic organization, as well as a result of growing familiarity at the center with the means of accomplishing things at the periphery. Fortunately, I think, for the development of the System and the good of the country, this tendency has not gone so far as to destroy either the federal character of the System in terms of policy formation, or its regional character in terms of policy execution.

That this is so, is largely due to the development of the Federal Open Market Committee, and its evolution as a body in which the various parts of the System are represented not by blocs, not by opposing groups of members of the Board of Governors on one side and Presidents of Federal Reserve Banks on the other, but by individuals having equal statutory authority and equal statutory responsibilities with respect to one of the most important functions of the System, namely, open market operations.

It is true that the means of credit control, other than open market operations, are scattered about the System in what seems to be an illogical manner. Discount

rates are fixed by the Boards of Directors of the individual Federal Reserve Banks but are reviewed and determined by the Board of Governors, and the setting of reserve and margin requirements is wholly a charge of the Board of Governors. But all of these measures of credit control must be integrated and used as a common kit of tools. The Federal Open Market Committee provides the forum where discussion of their coordinated use can take place without unnecessarily infringing upon the rights and duties of other parts of the System. The illogical in terms of organization charts and precisely drawn lines of authority becomes logical in terms of the evolution of a body which appropriately and effectively represents all parts of the System.

It may be useful to recall how this unique arm of the System developed, not from some sudden inspirational attack on the problem of bringing national unity to a regional central banking system, but by trial and error during a shakedown cruise of about 20 years' duration. In the beginning, adjustments of the reserve positions of member banks were made entirely through the discount window. Early open market operations emerged in the form of an attempt by individual Federal Reserve Banks to supplement their earnings. It soon became apparent that the effect of these purchases and sales of government securities (and bankers bills) was to put reserves into the banking system or to take them out without regard for what might be credit policy at the time. The first informal attempt to correct the situation was the adoption by the Conference of Governors (Presidents now) of Federal Reserve Banks, in 1922, of a policy of buying and selling government obligations in an orderly and systematic manner, and the appointment of a committee of five Governors to see that this was done. This loose arrangement was tightened up somewhat by the Federal Reserve Board in 1923, and the rule was adopted, which has since become a statutory principle of open market operations, that the time, character, and volume of such operations must be governed with primary regard to the accommodation of commerce and business and to their effect on the general credit situation. In 1930 an open market policy conference was created which included a representative of each of the 12 Federal Reserve Banks. Statutory recognition of and restraint upon this particular method of conducting open market operations was legislated in 1933, when the banking act of that year created a Federal Open Market Committee and prohibited open market operations of Federal Reserve Banks except in accordance with the regulations of the Federal Reserve Board. The Federal Open Market Committee in its present form came into being with the passage of the Banking Act of 1935, which also made it mandatory for Federal Reserve Banks to engage in open market

operations in accordance with the directions and regulations of the Committee.

So far so good. Evolution has proceeded by a process of natural selection toward a higher form of organism, which retains some of the desirable characteristics of regional organization within a federal system, while acquiring the powers necessary to a coordination of national policy under present day conditions. This organism has survived for 20 years and given evidence of being able to adapt itself to environmental change.

There are those, however, who see in the persistence of present regional representation on the Federal Open Market Committee a serious flaw in our credit control machinery. They appear to believe that this has enabled the poachers to remain on the Committee along with the game wardens, in the person of the five Presidents of Federal Reserve Banks who are members of the Committee along with the seven members of the Board of Governors. The Presidents of the Federal Reserve Banks, they say, are selected by the directors of the Banks—to be sure, with the approval of the Board of Governors. The nine men who serve as directors of Federal Reserve Banks include six men elected by the member banks of their district, and three of these men are bankers. Ergo, the Presidents of Federal Reserve Banks are the representatives of the member banks and, in political terms, must be responsive to the wishes of their constituents or they won't be Presidents very long. And so, it is claimed, the group which is supposed to be regulated and controlled has at least one hand on the controls, or at least five fingers in the pie.

This line of chain reasoning has its appeal if you believe that the Presidents of Federal Reserve Banks are so beholden to commercial bankers for their jobs, and so lacking in awareness of their statutory responsibilities, that they cannot honestly serve the public interest as members of the Federal Open Market Committee. The fact is, however, that the relation between a President of a Federal Reserve Bank and the bankers of his district is not that of an elected representative and his constituents or an employee and his employer. The present somewhat complicated arrangements for the election and appointment of directors of Federal Reserve Banks, and for the appointment of Presidents of Federal Reserve Banks by these directors, have instead a double virtue. First, they inject into the System's conduct of its everyday affairs the standards of efficiency and practical judgment that well-chosen business executives can provide from their own experience—and that includes everything from judging the fitness of a man to administer the complex operations of a Federal Reserve Bank to

the maintenance of its plant and equipment. This has contributed to an operating performance which has protected Federal Reserve Banks from much of the criticism which is leveled against other institutions not prodded toward efficiency by the profit motive. Second, these electoral arrangements keep the Presidents of Federal Reserve Banks directly in touch with men who are aware of banking and credit conditions and economic developments in their districts and who can help to interpret credit policy to the banking, business, and agricultural community, without making the Presidents subservient to whatever may be the selfish interests of any group in the community.

On the even more important level of policy formation, the problem is not comparable to that faced by a government regulatory body fixing rates and conditions of service under monopoly or semimonopoly conditions, nor to the problems of an administrative tribunal watching over observance of the law. The main problem of the central banking system is the appraisal of major developments affecting the whole economy and the formulation of a policy which will influence the money and credit sector of that economy so as to contribute to the stability of the economy as a whole. This is a public service which requires of its practitioners continuous contact with economic processes, and with people in the market places of the country as well as with the representatives of government at its political center. It requires practitioners with an awareness of the problems of an economy which is neither wholly private nor wholly public in character. It requires practitioners who are insulated against narrow partisan political influence on the one hand, and against narrow selfish private influence on the other, but who are responsive both to broad government policies and to the importance of private initiative and private enterprise in giving support to those policies. In my view there has been developed in the Federal Reserve System in general, and in the Federal Open Market Committee in particular, a unique contribution to the democratic administration of such a task. There is no conflict of interest in this administration.

I have spoken of this matter of organization at some length because I think it is vital to the preservation of a Federal Reserve System which retains regional vigor in a national setting, and because attempts to destroy the Federal Open Market Committee, as presently constituted, have been made from time to time. In fact, a bill has been resting in a congressional committee for the past year which would abolish the Federal Open Market Committee and transfer its functions to an enlarged Board of Governors of the Federal Reserve System. That way lies a revolution in the organization of our credit control machinery. I believe that this is a ques-

tion which goes well beyond the mere mechanics of organization and which needs and deserves your closest scrutiny as citizens, as well as economists and men of finance.

### **Federal Reserve policy objectives**

So much for organization. Now for a reference to policies. The preamble to the Federal Reserve Act says that the Federal Reserve System is to be concerned with the provision of an elastic currency, affording a means of rediscounting commercial paper, and establishing a more effective supervision of banking in the United States, and for other purposes. Well, the "other purposes" have long since stolen the show, as must be the case when the manifold objects of an economic experiment are compressed into a few words, no matter how well chosen. We are all now engaged in an attempt to prevent the occurrence of wide and deep economic fluctuations and to mitigate the hardships of the smaller cyclical fluctuations and the necessary internal adjustments of a dynamic, growing, relatively free-choice economy.

The role of the central banking system in this attempt to achieve better balance in our economy has never been spelled out specifically, and probably cannot be. We were not specifically mentioned in the Employment Act of 1946, which gave expression to the present general concept of the economic role of government, but our share of the general responsibility derives largely from that expression of national policy. I have always felt, however, that if we are to be true to the explicit requirements of our own charter, we must emphasize the implicit requirements of this broader charter by combining stability of the purchasing power of the dollar with the promotion of the most effective possible utilization of our resources. We must be alert to oppose both inflationary and deflationary pressures, either one of which can upset the precarious balance of a high-employment, high-production, high-income economy.

### **Controlling inflationary pressures**

We are pretty much all of one mind, I take it, when it comes to opposing deflationary forces which threaten a waste of human and material resources. But there is no such unanimity when inflation—usually trotted out as mild inflation—is in prospect or in being. Here is a central banking problem with respect to which we should, perhaps, have had more help from you than you have so far given us. Are we right in the belief that stability of the dollar and a growing high-level economy are compatible? Or, at least, are we right in our belief that there are so many forces in the economy which now exert inflationary pressure as to make it likely that our role will generally be to resist those pressures in

the interest of sustained economic growth? The siren song of gradual modest inflation, if it be that and not the music of the spheres, appeals to many groups, political and economic. There is a tendency to relax and enjoy the sound of more money in the cash register and the appearance of more dollars in the balance sheet and in the pay envelope. The problem has become a fundamental one in the administration of monetary policy, and your advice and counsel and, indeed, your leadership are needed.

There are those, of course, who think the answer has already been given, and that our powers have been reduced to exerting a gentle tug on the reins from time to time, which is really administered by the horse. With that I cannot agree; I cannot bear witness to the impotence of our central banking system. It still has considerable power, even though we recognize, as I think we must, that general monetary controls can no longer be used so drastically as to bring about a severe restriction of the money supply with restriction of income, production, and employment in its wake. In this we would only find support if we were faced with a runaway inflation due solely or primarily to monetary causes. That is an emergency we have not had to face and certainly do not have any desire to face, even though the actual experience of such a catastrophe might subsequently make for broader public understanding of the anti-inflationary steps we must take from time to time. In developed countries which have experienced hyperinflation the central bank has only to mention the word inflation to bring a large measure of public support to a restrictive credit policy. When we mention inflation as a reason for trying to restrain a boom which shows signs of temporarily exhausting physical capacity to increase the supply of goods and services, and in circumstances when further injections of bank credit are likely to show up largely if not entirely in increased prices, we are apt to be charged with crying wolf when there is no wolf, to be denounced as apostles of deflation. And if actual inflation does not develop, perhaps because we have done our job of helping to curb its development, the accusation against us seems to gain increased validity. You can see why I would like to have aid and comfort in resolving doubts about our ability to combine a stable dollar with a growing, expanding, high-level, peacetime economy.

### **The exercise of individual judgment**

Another aspect of policy formation which concerns me is whether or not undue reliance is now being placed upon the judgment of men, and whether we should seek some automatic or mechanical guides to policy action. I do not think that we have been led too far astray by reading our press clippings. When it is said of

the Federal Open Market Committee that "these 12 men have more financial power than any other official body in the United States history," we may think it will impress our children and grandchildren, but we are also humble enough to recognize that the power we wield is a circumscribed one which cannot be wielded arbitrarily or capriciously. In the first place, it is a power exercised by a group of individuals of differing backgrounds and talents and with differing approaches to the policy actions upon which they must finally agree. There are checks and balances such as are characteristic of our whole concept of government, which give assurance that decisions will be reached by a deliberative process and that power will not be wielded by an individual who might acquire the habits of a despot. In the second place, it is power exercised in the white light of full disclosure: weekly, monthly, and annually our actions are publicly reported for all to examine and to judge. Finally, it is power exercised within the limits of national objectives and public tolerance, which would not permit the Committee to indulge a sense of power or to experiment rashly with it, even if it were so inclined.

But to recognize the limitations of our powers is not to deny their importance. We must and do take them very seriously. We realize that we are trying to measure and adjust the flow of credit in a money economy, and we are steeped in the belief that whether the economy works well or poorly depends in part on our success or failure in discharging our responsibilities. And therein, I think, lies a danger. The oppressive character of such a heavy responsibility leads men to seek some automatic or mechanical device as a guide to policy action, in order to remove the risk of exercising fallible human judgment. The gold standard, as it existed during the latter part of the nineteenth century and the early years of the present century, largely performed this role in those countries which had central banks and which looked first and almost entirely to the state of their balance of payments and the size of their gold reserves in formulating central bank policy. Those "good old days" began to pass into history, however, when central bankers began consciously to interfere with the effects of inflows and outflows of gold upon the domestic credit situation and, through it, upon the domestic economy. They receded further into limbo as national policy became more and more oriented toward the maintenance of high levels of production and employment at home, and tried to fit together the international and the domestic situation without subordinating one to the other.

And yet there have been and no doubt are serious students of central banking who believe that it cannot function properly without a "norm" of behavior, or a

mathematical equation, which will tell its human guides what to do and when to do it. In the present state of our knowledge of the functioning of the economic world, and despite the flood of available statistics which never seems to be out of spate, I do not believe that we can now devise a "norm" or an equation which will relieve us in any substantial and consistent way of the necessity of exercising human judgment in discharging our responsibilities. What we need is not just a catalogue and synthesis of symptoms but an appraisal of a whole situation, including the complex reactions of human beings—businessmen, labor leaders, consumers, politicians. Early in my career in the Federal Reserve System I read a statement by Allyn Young<sup>1</sup> which impressed me then and impresses me now:

In fact, we can be certain that reliance upon any simple rule or set of rules would be dangerous. Economic situations are never twice alike. They are compounded of different elements—foreign and domestic, agricultural and industrial, monetary and nonmonetary, psychological and physical—and these various elements are combined in constantly shifting proportions.

"Scientific" analysis, unaided, can never carry the inquirer to the heart of an economic situation. Judgment and wisdom—the power to take a complex set of considerations into account and come to a balanced view of them—are quite as much needed as facts and theories. The Federal Reserve System needs to operate in the light of all the information it can get, and it needs to have this information organized and analyzed in such a way as to give the maximum amount of illumination. But it also needs the guidance of that practical wisdom which is born only of experience.

If in our time, however, with increasing knowledge of how credit policy works, we can discover a "norm" of action, or a mathematical guide to policy, our task would be greatly simplified. To do that, we shall have to know more than we yet know about how monetary and credit policy actually affect the economy, as a whole and in its various parts, and with what leads and lags. This will mean deep probing into the operations of our money and banking system as it is now constituted, and into the effects of changes of monetary and credit policy upon the whole economy working through the banking system. Until this job is further along, a good motto for central banks may continue to be the lines of the poet:

<sup>1</sup>American economist and university professor (1876-1929).

Our stability is but balance  
And wisdom lies in masterful  
administration of the unforeseen.<sup>2</sup>

### Open market operations

I am now going to turn to one of the techniques of execution of central bank policy, partly because it has importance from a general economic standpoint which transcends its purely technical trappings, and partly because it has been the subject of some public comment and discussion during the past year or two. I refer to the range of open market operations: whether such operations should be rigidly confined to short-term government securities, except under the most unusual circumstances, or whether a willingness at times to operate over the whole range of maturities of government obligations would provide a better means of making credit policy effective. I am not going to reiterate all of my own views, which are already in the record and which are distinctly minority views within the Federal Open Market Committee. There are as yet no absolutes in this business, however. Those who advocate, and I who oppose, the present techniques of the Federal Open Market Committee are merely climbing the hill on opposite sides, trying to reach the same summit of knowledge and effectiveness.

But I do think that the question is one worthy of the attention of at least some of you who are here today, not merely as a matter of casual comment in panel discussions, or writings on other subjects, but as something which has real economic significance and deserves serious study. And I am encouraged in this opinion by the articles which have appeared in the journals during the past year. If the present technique derives from a too rigid application of supposed classical economics to problems of money and credit, we need enlightenment from you.

I had supposed that the classical economists, the men of private property and free markets, didn't think that free markets could provide everything necessary to the public good, and that if they were our contemporaries they might have thought of the market for money and credit as something separate and apart from other markets, and as an appropriate area of intervention by government or agencies of government — intervention at that cross-section of the economy where the public need for some overall economic guidance toward stability could be provided with a minimum of direct intrusion into the details of production and distribution. And I had supposed that this would mean central bank action to help the market in determining the significant characteristics of the maturity structure

of interest rates implied by the kind of credit policy being pursued — not to try to set decimal points on daily quotations, nor to peg a curve, but to nudge the market in the direction sought by credit policy. And finally I had supposed that the effects of increases or decreases in capital values, arising from changes in long term rates of interest, were becoming more and more important in an economy in which public as well as private debts have become so large a part of our so-called assets, and that some direct intervention in this area might at times be appropriate. Whether or not these or contrary suppositions are true, it seems to me that this matter of open market techniques involves problems of economic significance beyond its immediate technical application and that it deserves your study and your published findings.

There is another area of credit administration which can be brought under the loose heading of techniques. That is the problem of selective credit controls, and particularly the control of consumer instalment credit. I suppose that all of us who have a bias against detailed planning "from above" would prefer that credit policy accomplish its major aims by general quantitative controls which work impersonally but pervasively and without interfering directly with individual transactions. But if there has grown up a form of credit extension which, no matter how prodigious its contribution to mass production and mass consumption, is also introducing a dangerous element of instability in our economy, and if it is difficult to reach this credit area by general credit measures without adversely affecting all of the less avid users of credit, is there not a case for a selective credit control? Thackeray says in *Vanity Fair*:

Everybody must have observed how well those live who are comfortably and thoroughly in debt; how they deny themselves nothing; how jolly and easy they are in their minds.

Well, I am not jolly and easy in my mind. I am disturbed by the present situation in consumer instalment credit, just as I was concerned, under different conditions and for different reasons, about stock market credit until the Board of Governors was given power to establish, and to vary, margin requirements. I am disturbed not by the total amount of consumer credit, but by the fact or the indication that successive relaxation of terms has been largely responsible for keeping the ball in the air. This is a process which cannot go on indefinitely, and when it ceases there will come a time when repayment of old debt will catch up with new extensions of credit. The special stimulus of a rapidly increasing net supply of consumer credit, which has contributed so much to the

<sup>2</sup>Robert Bridges, "The Testament of Beauty."

record production and distribution of consumer durable goods during the past year, will then be gone, at least temporarily. Will it then become clear that we drove our productive capacity to unsustainable limits—for the present—by borrowing consumer demand from the future?

This is a subject on which many voices have expressed many views, but usually they have not been views which seem objective enough to help resolve the question in the best interest of society as a whole. I know that there are those who believe that selective credit controls are a dangerous step on the road to general overall planning, and I have no desire to become a fellow traveler on that road. But I do believe that there is a temptation to abuse consumer credit in boom times, that it can thus become a serious source of instability in our economy, and that we would not jeopardize our general freedom from direct controls by giving the Federal Reserve System permanent authority to regulate consumer credit. I freely admit, however, that this view would be better held if it were based more firmly on objective study and research into the place of consumer credit in our economy and less on observation and opinion. That is the sort of basis for consideration and action which you could provide.

The same or something similar might be said of mortgage financing, but I shall not try to go into that. Economics and social objectives become intermingled so fiercely when housing is discussed as to make calmness and objectivity a handicap, if not a badge of moral delinquency.

The basic question involved in both cases is whether an attempt should be made through regulation of these specific types of credit to exert a stabilizing influence on areas of the economy which, in the past, appear to have been major sources of instability of employment and production, or whether we should be content with efforts to regulate the overall availability and cost of credit, hoping that fluctuations in the major areas of the economy will balance out. Our experience, thus far, suggests to me that general credit controls can exert an effective influence on these particular types of credit only with a considerable lag and that we cannot rely upon countervailing forces in the economy to maintain overall stability.

Perhaps you can see where I have been heading in these somewhat random remarks, which have touched on a few aspects of central banking organization, policies, and techniques, while not mentioning others of equal or, perhaps, even greater importance. In general, my purpose has been to frame a plea for help. A plea that theoretical economics come more steadily and effectively to the aid of practical economics in such fields as central banking.

### **A public role for theoretical economics**

I recognize that theoretical economics is the basis of practical economics. And I recognize that theoretical economists, in our time, seem mostly to have preferred to work on general principles, or on building models of economic performance, rather than on economic policies and their effects. I have not the competence to challenge the value of their work, but I question whether it is enough. I question whether economists individually and as a group can fulfill their obligations as citizens, as well as students and scholars, if they do not try to bring these interests together. I would say we need a revival of political economy, and I would invite you to look on central banking as a good place to start. The economists of an earlier day did not hesitate to jump into the thick of battle over current issues, and it did not seem to lower their academic standing then nor should it now. They were pamphleteers, they organized and participated in public meetings and discussion groups, they brought their influence to bear in any way they could on public officials and private citizens. They were pungent and provocative in debate. Macaulay said of James Mill and his followers on one occasion, "These smatterers whose attainments just suffice to elevate them from the insignificance of dunces to the dignity of bores." Perhaps that sort of thing is a little too violent for our present mood and condition. But it might be better than withdrawing completely into a realm of esoteric jargon, or indulging in an excess of politeness in dealing with your peers and your public, so that issues are seldom drawn clearly enough to attract public attention and promote public understanding. By your studies and your research and your application to the problems of economic theory, you have earned the right to be heard and to give some sense of continuing direction to official action and to public opinion. I would like to see that right more vigorously exercised.

I feel that it could be exercised more vigorously and to advantage in the field of central banking. We have excellent research staffs in the Federal Reserve System, able economists and statisticians and devoted students of money and banking problems. But their work needs more cross-fertilization and critical analysis by thoughtful and disciplined minds outside the System who can apply their talents to this special field without the bias of an organizational viewpoint. Not enough work has been done, I would say, on the monetary problems of a mixed government-private economy, on the functioning and form of a fractional reserve banking system in such an economy, on the growing importance of other financial institutions, which criss-cross both the fields of commercial banking and investment banking, and on the performance and charac-

teristics of our money and capital markets. These are subjects which are becoming critical in the development of central banking.

You have tended, I venture to say, to occupy yourselves too much with the refinement of old ideas which are no longer wholly relevant, with the cataloguing of new economic processes, with the application of mathematical equations to situations too dependent on human behavior to be amenable to such treatment, or with building utopian models of the dream world of the future, while neglecting the hard but rewarding task of studying the present in a way which would contribute effectively to public policy and private well-being. If you will not use it against me, I would say that you have left the latter task to the improvised judgments of practitioners who have lacked the time or the equipment needed to work out a coherent and consistent basis for the actions which they must take.

It is said that there has been a renaissance of monetary and credit policy in recent years. In fact, some extravagant claims are again beginning to appear concerning the power and influence of monetary measures

in curing or ameliorating our economic ills. Governments may be tempted to commit or condone economic errors, in the hope that monetary policy can redress the balance and in the hope that the central banking system will stand as a buffer between the government and an electorate which chafes at restraint. We shall have to guard against asking too much of monetary policy. But it is a fact that monetary measures have re-established themselves, and rightly so, as one of the principal means used by governments to try to keep national economies in order without the stifling restrictions of more direct physical controls.

What I would now like to see is a renaissance in the study of money and banking in general and of central banking in particular. I would like to see a fresh and thorough examination of our existing banking and credit machinery and our money and capital markets. I would hope that out of such study and examination would come new ideas and new proposals which would give shape and direction to future public policies and private actions. It would be a task worthy of the best talent you can bring to bear on it.