So I bespeak my conviction that we should at this time be guided by two general philosophies:

(*a*) Speaking simply as an American citizen, I think we should see to it that the pains of readjustment do not fall with overwhelming and degrading force on the unemployed, which is the tragic and classic locale of most of those pains. I believe we are bound in conscience not to let that happen.

(*b*) Again, speaking simply as an American citizen, I believe we should do the things we know that Government can do and do well. We should see that competition is maintained in all sectors of the economy; we should see that the consumer is protected against the sharp practice of an occasional scoundrel; we should see that he is protected in those areas where his quality judgments do not suffice.

Even, if I dare say it, I think we should strive studiously to avoid rigidities introduced into the economy by Government itself. After that, I believe we shall be well advised to give the free market economy a chance to adjust itself before we intervene with massive medications. I shall make a slight further allusion to this point in a minute or so.

Now, as for monetary policy. As I see it, monetary policy in most of the postwar period can be interpreted around a few simple ideas.

First of all, we have been striving to bring inflation to an end, but to bring it to an end so gently and so gradually that American businesses, individuals, governments, and the managers of savings institutions could continually examine their commitments in the light of a gradually evolving situation, not in the light of a sudden and dramatic alteration in their environment, which would necessitate sudden, large, and dramatic adjustments.

Put in a different frame of reference, we have been feeling our way slowly toward a viable structure of interest rates that will attract from the American people, as savers, the large bulk of the funds that other Americans, American governments, and our offshore friends want to borrow. Note, however, a point so many times made:

The Federal Reserve System has had no intellectual or emotional preoccupation with either high interest rates or low interest rates, as such. We have merely wanted an interest rate—the price for money—that largely equates the supply of savings that Americans are willing to furnish at that price with the demand for American savings at that price.

At the same time, we have allowed for a growth of bank reserves intended to accommodate a growth in the money supply, which has been intended in turn to accommodate the increasing population and the increasing transactions of our country. That growth of reserves over the long postwar period exhibits a straight-line trend of 3 percent per annum.

I do not believe that this has been a tight money policy. Indeed, if it is to be criticized, I think the criticism over the long period is that it may have been too easy, delaying adjustments that, considering the constant change in a consumer-guided economy, are forever necessary and are the easier the more promptly they are made; if we are to be criticized, I suspect the criticism is properly taken on the point that we have allowed too much of the economy's expansion to be financed out of bank-created credit.

Second, speaking not to the long term, but to our reaction toward cyclical situations, we have had an extraordinarily simple pattern.