

Houston Philosophical Society

637th Meeting

Cohen House

April 15, 2010

Under the leadership of President Evelyn Keyes, the Society gathered for a reception and dinner meeting. Following dinner, ballots were distributed to the members for their approval of the slate of officers, the election of new members, and the caucuses of the section to elect Section Heads for next year.

Officers elected were:

President C. Herb Ward

Vice President Fields Alexander

Membership Secretary Pat Hughes

Recording Secretary Earl Brewer

Treasurer Don R. Byrnes

John Boles was reappointed as Custodian of the Records

New Members elected were:

Hon. Lee Rosenthal (C)

Tim Riley, Esq. (C)

William E. Joor III, Esq. (C)

Charles Baccharise (F)

Dr. Cecelia Clementi (A)

Dr. David W. Scott (A)

Dr. Mason B. Tomson (A)

Dr. Nathan Wasserstrum (B)

Dr. Larry Faulkner (F)

Ambassador Edward Djerjian (F)

Dr. John Polking (A)

Section Heads elected were:

- A. Engineering, Mathematics, and Natural and Life Sciences Jack Agee
- B. Health, Medicine, and Psychology Wayne Shadera
- C. Government and Laws George Barnstone
- D. Humanities and Social Sciences Randal Hall
- E. Architecture, Fine Arts, Music, Theater, and Writing Walter Widrig
- F. Business, Financial, Philanthropic, Religious and Educational Organizations Charles Dunkin

President Keyes then announced the election of Professor Ward who took the chair. After thanking Judge Keyes for her leadership, he introduced Professor Patten who then introduced the speaker of the evening, Paul Hobby.

Paul Hobby is a member of a distinguished family in Houston and is the son of Governor Bill Hobby (a member of the Society) and the grandson of Governor W. P. Hobby (namesake of the airport) and Oveta Culp Hobby who was a journalist and public servant. Our speaker received his baccalaureate degree from the University of Virginia and his J.D. from the University of Texas School of Law. He brings to his presentation broad business experience and services on various community boards and agencies.

Mr. Hobby serves as a member of the Federal Reserve Bank Board of Houston, a branch of the Federal Reserve Bank of Dallas. He addressed the group regarding the current economic situation of the United States. For him it was ironic that about the time he was learning monetary policy there was great distress in the monetary system of the United States.

Mr. Hobby clarified the responsibilities of two of the major players in dealing with the economic problems. He reminded the group that the U.S. Treasury is responsible for fiscal policy and dealing with the structural debt of the government. The Federal Reserve Bank deals with monetary policy including the regulation of the currency.

In September of 2008 Hurricane Ike was the major story, as the area dealt with the clean up and the restoration of basic services. This story was eclipsed in October of 2008, however, when the circulatory system for the U.S. Dollar was nearly lost.

Our dollar is a fiat currency that lacks backing such as gold or silver. Its value is based on the belief of the nation's citizens and the world. When this value was threatened the Treasury Department and the Federal Reserve worked to guarantee that the currency retained its value as the national debt moved swiftly from \$600,000,000 to \$2,500,000,000.

Consumer confidence remains fragile, even as the stimulus package launched by the Bush administration and carried on by the Obama administration sought to shore up banking institutions and to stimulate growth by spending on various “shovel-ready” capital projects and supporting those who lost employment in the process of stress and reorganization in the business community. It is expected that it will take up to 5 years for jobs to return to their earlier levels. Both the housing market and the commercial real estate market have suffered numerous foreclosures and mergers and acquisitions.

What are the lessons learned to date? John Kenneth Galbraith may have been correct 50 years ago when he said that financial dementia made it hard to mitigate risk by spreading it. To that end, the SEC now has a Division of Risk to monitor various economic activities.

The sovereign is the ultimate insurer of the financial system. Prior to the creation of the Federal Reserve, when the market threatened collapse in 1907, financier J. P. Morgan stepped in as the ultimate insurer and stabilized the markets, but now the Fed has that responsibility. The Fed normally transfers \$20 trillion to the government annually. During the 2008-2009 bailout, that grew to \$49 trillion.

The time to change our spending habits is now before America’s debt spirals out of control. Some would impose discipline with a balanced budget amendment, but some sort of safety valve will be required. A combination of elements may be the solution in making our way out and back: taxes, spending cuts, and shared sacrifice.

Political polarization has made the political situation particularly unstable. Mr. Hobby believes that there will be some inflation and some increased taxes during the process of recovery.

Mr. Hobby answered a number of questions and received the deserved thanks of his hearers for his address.

Don R. Byrnes

Recording Secretary