

THE CHALLENGE OF RENEWING THE AMERICAN DREAM
Remarks by Robert P. Forrestal
President and Chief Executive Officer
Federal Reserve Bank of Atlanta
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I am both flattered and honored that Dean Stith asked me to inaugurate the Distinguished Speaker Series here at Florida State University. It is my hope that I can indeed distinguish myself in your eyes as the FSU College of Business launches this stimulating new forum for discussion of public policy issues. Today, I would like to talk with you about the American dream and the challenge we face in sustaining, or perhaps even renewing, it in an era of slow economic growth. Some of you may ask how the American dream is relevant to the curriculum of a business school. From my perspective, however, this concept is integral to the goals of business education. That is because the American dream--the hope of materially bettering oneself and one's family through hard work and education--is largely an economic dream, and widespread belief in this dream has contributed to the strength of the U.S. economy in many ways over many years. Serious consequences could follow if we do not find ways to keep this a meaningful vision--not just a lower relative standard of living for many Americans but the possibility that the United States could become a second-rate power. Keeping the American dream alive, I believe, can help the U.S. economy return to a growth rate closer to its postwar norm and enable us to continue playing a global leadership role in world affairs.

The American Dream: Why Bother?

Let me explain more fully why I think all of us must be concerned about the American dream. First of all, the fading of this dream could affect many graduates personally: for those

of you finishing your degrees in the next year or two, it may be more difficult to find a job than it was for business school students who graduated just a few years earlier.

At a more fundamental level, the American dream is a big part of what makes the American economy work. This widespread impetus toward improvement renders the economy more flexible and better able to adapt to stresses and strains, not just with perseverance but with ingenuity and innovation. Americans have historically had good prospects of improving their standard of living. It is this hope that has made people mobile, both in terms of jobs and geographic location. These two are often tied together when a person moves to a new part of the country to start a new job. At other times, Americans may change careers rather dramatically by leaving larger corporations, for example, and starting their own businesses based on a particular niche they have discovered.

We tend to take our mobility for granted in this country, perhaps in the belief that every nation provides the same opportunity for its people. In fact, the United States is fairly unusual in this regard. Much has certainly been made about the vaunted job security of workers in many Japanese corporations. However, there is another way to look at that situation. Suppose an employee in such a firm feels that he (and most are he's, not she's, an important point I will revisit later)--suppose he feels that he is stagnating professionally or that his opportunities are limited. This employee cannot switch companies as readily as his U.S. counterpart to move up the career ladder because Japanese companies tend to promote from within. Therefore, job security can also mean job restriction and lack of mobility. European economies have also

suffered from a somewhat self-imposed lack of mobility. In the 1980s, unemployment was high--in the double-digit range for a number of years--in large part because people did not move to find jobs. Europeans tend to stay in one section of their respective countries or in the trade or profession for which they initially trained.

Thus, the American dream symbolizes many of the best attributes of the American economy--flexibility, dynamism, innovation, to name a few. Unfortunately, in the last decade we have seen some distortion in this powerful symbol, as the primary goal for too many people seemed to become the acquisition of expensive consumer goods. This very conspicuous consumption made the halting progress of many less fortunate Americans that much more glaring. Now the longer-than-expected recession has made many people very gloomy about their future prospects. Some are wondering how much harder will it be for them in the 1990s in view of the fact that their circumstances did not improve measurably during the 1980s, when the economy was growing. Others see little hope for restoring the lifestyles to which they had recently become accustomed as major sectors of the economy undergo restructuring and downsizing. Hopes for achieving the American dream seem to be dwindling.

A recent study done by the Federal Reserve lends support to this view. Comparing family finances between 1983 and 1989, the report found that the affluent tended to benefit more than the middle- and lower-income families surveyed. Average family income increased to \$35,700 from \$33,400 during the six years, on an inflation-adjusted basis. However, it was those above the median--that is those families with higher incomes--whose income increased,

pulling up the average. Even more noteworthy, the distribution of wealth as measured by net worth became more skewed toward the highest-income Americans. This sort of shift in income distribution takes on added significance, fueling the forces of pessimism, when the economy turns down, as it did this past year.

This hopelessness must be countered because economies do not work as well if people feel hopeless. When people give up looking for a job because they cannot find anything for their limited skills, it is not only they who have failed for not preparing themselves better. The economy, too, fails a little bit each time this happens because it means there is one fewer person producing the goods and services that help to make economic output expand. The gestalt of hopelessness is such that it touches not only the unemployed person but also other family members. A teenager may decide it is not worth going to school since her mother or father cannot find work. Then the hopelessness begins to spread to new generations. Our main task, then, is to bring back hope. Former President Jimmy Carter has expressed this view well in his new effort to help the hardcore poor in Atlanta. He has candidly acknowledged that he is not trying to cure poverty. Rather, he is attempting to create success stories as a means of restoring a sense of hope to people about their situation.

How We Got To Where We Are

Before I discuss some of the steps I believe we must take to restore hope and to renew the American dream, I think it would be appropriate to outline briefly how we got to where we are today. This is important to do because, thanks to a perplexing recession and the likelihood

of slower growth, there is widespread disappointment about the economy.

To a considerable extent, projections of slower growth are a result of demographics. The U.S. population is gradually aging as the large group of baby boomers are being replaced by the smaller group that some have called the "baby bust" generation. Relatively fewer people are coming into the workplace each year. In the late 1970s, some 3 million people sought their first job; in 1990 that figure had dropped to less than 1 million. This population trend is limiting the economy's capacity to expand, since labor is the most important factor of production in an advanced economy.

However, the rather bleak outlook is also the consequence of our overemphasis on consumption during the 1980s. The rapid growth of the last decade proved unsustainable because we did not devote enough resources to those things that help people achieve--and maintain--the American dream. These include education, health care, and infrastructure, as well as other kinds of investment. As a nation, instead of investing, we consumed more than we produced, financing the difference by debt. This habit was true of consumers, businesses, and government. Now, however, "the chickens have come home to roost," so to speak. The resulting large budget deficits, for example, have in effect prevented the use of fiscal policy to help the economy rebound more strongly from the recession. Likewise, the transition many households and businesses are undergoing as they work down excessive leverage is certainly a factor in the slow pace of recovery.

Looking ahead, it seems that slower growth is here to stay for sometime. During 1992 I believe the economy will grow at a moderate pace of around 2 percent on average. Although this rate is slower than the average growth rate of between 2 1/2 percent to 3 percent we had become accustomed to in the 1980s, it is certainly an improvement over the contraction of about 1/2 a percent we probably had last year. If the final figures come out as I think they will, 1991 would be the first year since 1982 that the U.S. economy has not expanded. Since employment lags behind GNP and many businesses are consolidating, I think the jobless rate will remain pretty much unchanged from the annual average rate of 6.7 percent in 1991. Fortunately, price pressures look more moderate than they have in some time, and the consumer price index (CPI) should turn out to be 3 percent or a bit higher as an annual average in 1992. While the Atlanta Fed does not engage in long-term forecasting, it is safe to say that we see comparable, slow growth on the horizon for some time.

Renewing the American Dream: Our Strengths

The obvious question becomes then, how can we renew hope and the American dream under these straitened circumstances? First of all, let us not lose hope ourselves. The United States has many strengths still going for it. These include our open and democratic society, our entrepreneurial spirit, and our proven ability to be innovative and to create new products. In addition, societal changes are too often overlooked as a source of strength. Allow me to describe in more detail how three of these changes--diversification of the work force, demographics, and immigration--have helped our economy:

Many graduates will soon be entering the work force as full-time employees for the first time. What they will encounter is much different from the circumstances that prevailed when I began working in the late 1950s. Then, nearly all managers and a very large share of all employees were males. Although World War II had opened more company doors to women, they still filled mainly lower-paying jobs or they had returned home to raise families. In the first decades of the postwar period, the single-breadwinner family was the norm.

Today, these graduates will find a much more diverse work force when they venture out. Women have entered the U.S. labor force in record numbers and have increasingly risen to positions of authority. I do not deny that more progress remains to be made. For example, equality of pay does not match the equality of opportunity in that women, at every educational level, tend to be paid less than men. Nonetheless, the significance of the increased role of women in the U.S. economy is not sufficiently recognized by critics and pessimists.

This issue is not only a matter of fairness; it also has had a positive effect on the U.S. economy. Unlike other societies in which the working population is still predominantly male, women make up nearly half of the U.S. labor force. That statistic means we are developing half of our population rather than neglecting it as occurs in many other countries, where nearly every paid worker is a man or where women are confined by law or custom to low-paying but often physically demanding tasks. In the United States today, some women are motivated by the enhanced self-esteem work brings to a human being. Others work in order to help meet the living expenses of their family. I suspect in most cases, though, both motivations are at work.

Beyond the social significance of more women participating in the workplace, we can look at the rise of two-worker families from an economic point of view. In a sense, they are a response to slower growth in relative incomes and the rising costs of living during the 1970s and '80s. I believe this shift also reflects the enormous adaptability of Americans to changing economic circumstances.

Demographics is another area where we can see encouraging signs of flexibility. It is true that the demographic changes that I mentioned previously lower the capacity of the U.S. economy to grow. I am afraid that some real estate developers and car manufacturers have not grasped the profound implications of these demographic changes. However, slower population growth has been holding down unemployment. In addition, we are seeing many retirees returning to work on a part-time basis--and companies gladly hiring them. Policies put in place to require compulsory retirement at age 65 may need further modification to remove the disincentives of returning to work. Still, it is important that many older Americans have already begun to help ease tightness that would have developed in many labor markets.

Immigration is the third area in which our society continues to change for the better. Historically, the United States has always benefitted from the new skills and willingness to work hard that immigrants tend to bring with them. In the nineteenth and early twentieth centuries, it was often eastern and southern Europeans who did those jobs previous immigrants did not want to do--building the railroads and subways or manning the blast furnaces of steel mills. Many of these immigrants, like their eighteenth century forebears, ended up creating new businesses that

helped to enrich themselves and the economy. Now we have greater numbers of Latin Americans and Asians entering the United States. One of the things most significant about immigrants is that they are willing to take risks, or to put it in economic parlance, they are not risk-averse. They have proved that characteristic by the simple fact that they have taken the chance of moving away from their homeland. It is a propensity to take risks that distinguishes entrepreneurs from other kinds of workers. In this sense, the U.S tradition of welcoming immigrants helps to promote the entrepreneurial spirit that is so much a part of the U.S. economy.

Renewing the American Dream: Three Steps to Take

As we take stock of our strengths, I think it also becomes obvious that there are a number of ways in which we can improve our chances of renewing the American dream. Some of you may already have your own solutions that you plan to apply as you enter the business world. However, I would like to suggest three steps that we can take. First, I believe we must get back to the basics of saving and investing--not just in productivity-enhancing equipment and in research on new products and techniques, but also in education and infrastructure. Many business leaders and political candidates over the years have called for a renewed emphasis on education in the United States. Unfortunately, I am not confident that this commitment has been translated from talk into action.

To succeed in making this change in attitude, we must take the second and more fundamental step of transforming our views about growth. With respect to short-term problems,

Americans must cultivate some patience with cyclical policy measures, like the Fed's accommodative monetary stance as well as other moves to mitigate the credit crunch, and allow these medicines time to do their work. In regard to the longer term, it is imperative that we encourage policymakers to adopt measures that promote sustainable growth rather than those that yield a payoff for only a few years.

The third and final step I see as necessary is a program that every MBA student and undergraduate can take to heart, namely, understanding globalization. It alarms me that many Americans--whether college-educated or not--are turning more and more toward a protectionist and, in certain respects, isolationist stance. This attitude is reflected in a preoccupation with domestic issues. On the surface, the logic seems cogent: we have enough problems at home, it is argued, and any resources should go toward solving them. However, this narrow point of view begrudges assistance from the United States that could help other developing countries in their struggle to improve their quality of life--in essence, to achieve their own semblance of the American dream. We need not embrace this goal on altruistic grounds alone. In fact, global growth tends to be good for U.S. growth. When consumers in other countries can afford to buy American-made goods, the U.S. economy expands and more people can be employed. Thus, in the long run, global growth can only help our nation, not hurt it. What is more, we are at an incredibly propitious point in world history, with the breakup of the communist regimes in East Europe and the former U.S.S.R. and the move toward democracy and market economies in Latin America. We cannot afford to turn inward at this critical juncture. Globalization is, therefore, an especially important subject of study. Never before has it been so critical for MBA

candidates and undergraduates to understand how the U.S. economy has become inextricably linked to other countries around the world. If those who are going into business do not understand this symbiosis, the United States will find it much harder to keep its place on the world stage.

But studying globalization is not enough. In order to participate in the global economy, the United States must have something to offer other nations that they will want to purchase. We have relied too long on being a mass producer of affordable goods--the Model-Ts for everyone rather than the Ferraris for the few. I am not saying we should neglect efficiency. Nonetheless, many developing countries have a comparative advantage in producing inexpensive goods. We must direct more of our energies toward making high quality products. In this area, we can indeed take a lesson from the Japanese who have perfected certain products, such as computer chips, automobiles, and electronic equipment. This accomplishment is all the more noteworthy in view of the fact that in the 1950s and '60s products with 'Made in Japan' labels were scoffed at by Americans as cheap and shoddy.

One reason for the turnaround is that Japanese carmakers have shown enormous perseverance--again, a long-term attitude--by designing a car and then continuing to improve upon it until it becomes virtually the best in its class. American carmakers, on the other hand, too often have followed a strategy of designing a car and, if it does not sell, simply throwing out the design and starting over. This can be a wasteful habit. The recent losses in the U.S. automobile industry serve to underscore this point. And do not tell me about how the Japanese

keep U.S. cars out of their country. Japanese drive on the left side of the road as the British do, and their domestic cars have the steering wheel on the right-hand side. Yet Detroit automobile makers have yet to change their exported cars to accommodate Japanese driving practices. Knowing this, it is harder to sympathize with the image of U.S. car companies as the ones who have been wronged.

Japanese products by no means have a monopoly on quality. European firms also have a reputation for high value-added products, which has aided their exports. The same is true of many U.S. firms, but as a nation we could be doing better, given the basic strengths of the U.S. economy I mentioned earlier. This is where MBA students come in. In the last decade too many business school graduates sought to parlay their degree very quickly into six-figure incomes by becoming investment bankers or deal makers on Wall Street. While the vibrancy and innovativeness of U.S. financial markets play an important role in the success of the U.S. economy, I think there has been an overemphasis on these "paper engineering" jobs and the "paper production" of Wall Street. Instead, more attention needs to be paid to production, especially quality production. Only in this way can we reach our potential in making those products that are needed and desired by the rest of the world. In addition, in our slow-growth, highly competitive environment, it is absolutely critical that we learn how to get things right. A lack of precision can mean the difference between profit and bankruptcy.

This is not a call for MBA students to drop out of business school and transfer to the nearest engineering program. Rather, I am advocating a culture of quality that permeates every

aspect of the working world. In my own institution, it is expressed in two of our three "core values"--integrity and quality service. (The third is cost effectiveness.) These values, which are supported by managers at all levels, guide employees in each and every action toward producing the most accurate, high quality work he or she is capable of, with the resources available. I am convinced that this kind of attention to quality in every detail can--and must--be achieved throughout American businesses.

Conclusion

In conclusion, then, I challenge students to learn how to get it right. New entrants into the work forces in today's environment must have a global view, embrace diversity, and pay close attention to detail--in communication skills as well as technical analysis. I also charge university faculty with holding to the old standards of exactness and precision, be it in quantitative analysis, verbal communications, or teaching itself. It is important to set the example in lectures and grading standards. Students take the lead from their professors. Thus, it is critical for them to become knowledgeable about globalization in every discipline. If both students and faculty do this, and graduates carry these ideas into the companies for which they will work, then America has a better chance of competing with other nations.

Finally, university administrators must commit the necessary resources in the proper places, from deepening the international curriculum to broadening the exposure of students to all disciplines. It is also time to seek more balance and flexibility between research and teaching. Research is, of course, critical to the progress of human understanding. However, good teaching

cannot be given short shrift. All the best universities insist on both.

As I have pointed out, if we can compete globally, we are more likely to keep our economy vibrant. We must not give up hope that we can surmount our current economic malaise through our own efforts. Just as importantly, we must find new ways to bring hope back so that all U.S. citizens will continue to feel that the American dream is still alive. That dream has always been based on bettering oneself through hard work and education. As we realign our attitudes about growth for the long term, we should put more emphasis on investment in education, health care, and infrastructure--all those things that help to make the dream come true. If we do these things steadfastly, we will renew the American dream not only for students of business but for every American.