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10 A.M. E.D.T.
May 21, 1988

Remarks by
Alan Greenspan
Chairman, Board of Governors of the Federal Reserve System
at
Commencement Exercises
Bryant College
Smithfield, Rhode Island
May 21, 1988

I am most pleased to be here today on this very special occasion. It is a special day for you graduates for it represents the culmination of your work at Bryant College. It is a special day for your parents and friends who can now feel a sense of joy and pride, and perhaps even a sense of relief, that you are at long last receiving your reward for many years of hard work and study.

But it is an extraordinary pleasure for me personally to receive an honorary degree from Bryant during this 125th anniversary celebration. For I discovered only this week that

I am the fourth chairman of the Federal Reserve Board to be so honored in this fashion. Dr. Arthur Burns received an honorary degree from Bryant in 1976 and my immediate predecessor, Paul Volcker, was similarly honored in 1983. Another of my predecessors, G. William Miller, received an honorary degree from Bryant in 1969, nine years before he became chairman of the Federal Reserve.

Bryant College is therefore unique since it the only college or university in the nation that has conferred honorary degrees on the last four chairman of the Federal Reserve.

Receiving this special honor, however, carries with it a certain responsibility. As your commencement speaker, I am asked to leave with you in just ten minutes enough wisdom to fill in any gaps in your educational experience. And I'm also expected to warn you about the hazards you face in the real world of business.

Happily, you are entering a real world that, economically, has a lot to offer a young person who isn't

afraid of a challenge and is willing to work to better not only his or her life but also the lives of all Americans. You are entering an economy that is now in its 65th month of expansion and is continuing to generate tens of thousands of additional jobs each month. Inflation is down substantially from its peak of the early 1980s and we can see continuing signs of improving productivity.

This is perhaps a far cry from the world that your parents or some of your friends faced when they entered the labor force some years ago. Over the last two decades we were faced with huge increases in the price of oil--the so-called oil shock--recessions and rampant inflation which unfortunately did not moderate until a severe recession had occurred.

That's not to say that we don't have economic and financial problems today. We certainly do and, hopefully, some of you in this graduating class will devote some thought and study to their solution. We have an enormous budget deficit. We have an enormous trade deficit. We have unprecedented

levels of consumer, business and government debt. And that brings me to the next thought I'd like you to consider.

You are graduating into a real world which is no longer bounded by the Atlantic and the Pacific Oceans. The American economy is increasingly part of a global economy; many aspects of our financial system are increasingly linked to financial markets abroad. What happens in New York, Boston, Chicago, San Francisco and, yes, even here in Rhode Island, can be felt around the world. And what happens elsewhere in the world is certainly felt in America. Our dependence on foreign savings to help us finance our federal budget deficit is but one example of this.

Another example is the increasing level of exports that we are currently enjoying and which is helping to sustain our economic expansion this year. In other words, your careers will have an international dimension as no generation before yours has had. You will be called upon to think internationally as never before.

I suspect that a great many members of this graduating class will make a career in the world of business or finance--perhaps some of you will one day manage major businesses and a few may possess the wisdom or luck to amass a fortune. As you try to cope with the stress and volatility that you may find you might give some thought to how our financial markets and businesses have become hostage to what people in other countries say and do, and to our inability thus far to balance our trade accounts or our own budget.

This is not to say that our economy doesn't have enormous strengths and potential. It does. I'm merely pointing out that despite an expanding economy, there is no shortage of challenges for us--and you--to face. It is up to us to balance our budget. We have to invest more and save more. We have to be more efficient in the workplace. In other words, we need a strong sense of commitment to resolve our own problems and shape our own destiny in an evolving global setting.

I don't mean to place the burdens of the nation's economy entirely on your shoulders. Let me assure you that some steps have already been taken in that direction. The buildup of imbalances in our economy, however, occurred over a period of years, and has involved major adjustments to the structure of economies here and abroad. These will not be reversed easily--but they must be addressed. The creation of a National Economics Commission to recommend resolution of our budget problems is a vital step in the right direction since the budget deficit is our most urgent problem. In the meantime we must resist the lure of "short-cuts", such as protectionist measures which would only entrench inefficiencies and hold down living standards at home as well as around the world. We can and we must make this difficult transition. Your role must be to further the process that is already started.

And while you're doing that, there's one other thing you might keep in mind. We need to restore a strong sense of

integrity and responsibility in the world of business and finance. No business, or for that matter a country, can endure for any length of time without a sense of integrity and trust. The information revolution that has occurred in our lives in recent years is no substitute for good, old fashioned trust in business, government and in our personal lives.

Before closing, I would like to turn for a moment to another economic scenario which I have found fascinating since I was invited to speak to you today. Picture, if you will, an economy with rampaging inflation--20 to 30 percent at an annual rate. Throw in the largest Federal deficit up to that time in the entire history of the nation. A devastating war was literally hemorrhaging the country. Greenbacks were flowing from one end of the nation to the other to help pay for that war and, of course, they fed the fires of inflation. This scenario offered little hope for the future but there was hope and we are gathered here today because of it.

The year was 1863 during the depths of the Civil War. And it was in that year, as many of you know, that Ezra Mason, Henry Bryant and Henry Stratton started a new school in Rhode Island that evolved into the institution we see today. If anyone here needs inspiration to help meet the challenges of today, they need look no further than to the founders of this great College.

I congratulate all of you who are associated with Bryant on the occasion of your 125th anniversary celebration. May you have many more years of success and fruitful endeavor. For you graduates, I congratulate you also upon completing the course of study here at Bryant. I am sure it will stand you in good stead as you embark on your new careers in the world of business and finance. For sooner than you realize, your region, your country and yes, even the world at large, will be shaped by the new working generation that you represent today.