

Remarks by Chairman Miller
Boston University
May 21, 1978

Thank you Dr. Silber. My role in addressing the graduating class today is both a privilege and a responsibility. It is a moment to pause and reflect on the new life ahead before the joys of celebration with family and friends and before the sadness of farewells to classmates and teachers. The test for me is to be brief, yet responsive.

In America, whatever our individual backgrounds, urban or rural, each of us is aware of the unparalleled capacity of our nation to produce abundant harvests. By virtue of a natural endowment of the greatest expanse of fertile, well watered land in the world, coupled with unusual human skills and enterprise, this country each year gushes forth a cornucopia of crops second to none in quantity and variety.

Such bounty is a unique blessing. Yet, even more critical to our fundamental strength and vitality is the growth and renewal of America's people.

For harvest time, we think of the fall, with crisp autumn air. But the harvest of our colleges and universities is concentrated in these few weeks as the blossoms of spring drop away and the heat of summer begins to rise.

What will this year's university crop produce: famine or feast? Will the world be enriched or impoverished by the infusion of your new talent?

Perhaps there may be a clue in looking at the conditions which have prevailed while you were preparing your careers and the environment which you will now experience.

The past dozen years have been characterized by dramatic shocks and discontinuities. The war in Vietnam was divisive. The state of domestic tranquility was interrupted by civil disorders. Failure to pay for that war planted the seeds of inflation. The threat of inflation led to imposition of direct wage and price controls, which proved to be both inequitable and ineffective. The international monetary system broke down. The U.S. economy was reflatated, building up a head of steam in the kettle. When the discredited wage and price controls were removed, the steam blew off to double digit inflation and double digit interest rates. To compound the difficulties, the oil boycott ushered in a five-fold increase in world petroleum prices. The Watergate incident and its aftermath led to a general distrust of all institutions, public and private. Finally, there was the Great Recession of 1975 with 9 percent unemployment and the greatest economic distress since The Depression of the 1930's.

Now we are beginning the fourth year in economic recovery from those troubled times. The level of prosperity has advanced considerably. Social and political conditions have become more stable. Yet, in the face of progress there is a nagging discomfort.

The reason is not hard to fathom. The agenda of unresolved issues remains formidable, indeed. In the economic field, let me point out three major items which will stay high on the priority list for years to come.

One is energy. America was fortunate to be able to develop by utilizing the seemingly boundless resources of a vast, almost unpopulated continent. The availability of abundant and inexpensive energy fueled the growth of a great industrial economy. But with 6 percent of the world's population consuming one-third of its energy, it was inevitable that a day of reckoning would come. The forces of supply and demand came into play with a vengeance. In 1973 the United States paid \$8 billion for imported oil products. Last year, it was \$45 billion. This contributed to the large U.S. trade deficit and the pressure on the dollar.

The task ahead is to convert our industrial, commercial, residential, transportation and public infra-structures into more energy efficient systems. We urgently need to conserve present energy reserves, to reduce our dependence on foreign petroleum, and to change over to alternate, more economic energy sources. This process will take more than a decade.

The second item is the dollar. The decline in the value of the dollar since last September has caused a world wide nervousness. The reason for the slide may be traced to the record U.S. trade and current account deficits and to the level and persistence of U.S. inflation rates. The decline of the dollar itself adds to

inflationary pressures as the goods we import cost more and reduce competitive restraints on domestic products.

We have a special responsibility to maintain a sound and stable dollar. It is the currency for most international trade and finance. It is the principal of reserve asset for the world monetary system. The dollar is therefore a key to world economic progress. And in our own self interest, we need a sound dollar to help dampen inflationary forces.

As the world becomes more interdependent, the role of the dollar will be a continuing challenge.

The third item is inflation and unemployment. America's most serious domestic problem is inflation. Inflation is inextricably linked with unemployment. Our hopes for full employment on a continuing basis depend upon wiping out the virulent disease of inflation. Inflation destroys values and incomes, dries up job creating investments, impairs the prospects for new housing and other construction, and breeds recessions.

Perhaps the best way to illustrate the clear and present danger of inflation is to consider the consequences for today's graduates. If inflation should be permitted to continue at a 6 percent annual rate -- and this year we can expect a 7 percent rate -- but even at 6 percent, then upon your normal retirement date the dollar you now hold will be worth less than a dime. At age 65, your dollar will be worth less than 10 cents.

We cannot let that happen -- to you, or to America or to the world.

The three problems I have outlined relate to underlying fundamental conditions. They will not be solved quickly or easily. So, increasingly, each of you will be involved in the process of forging solutions for a stronger America and for a better world.

You will have the opportunity to shape New Directions. To do so will take courage and wisdom.

There is one such New Direction that deserves early attention. That is to shift the philosophy for U.S. economic policy from "demand" or "consumption" management to "supply" or "investment" management.

There have been only two known periods when leading world powers have been subjected to hyperinflation. The first occurred in 16th century Spain. The discovery of the New World gave Spain access to vast amounts of gold and silver. Gold from the New World introduced massive unearned purchasing power which drove prices up perhaps one thousand percent. But the purchasing power did build the palaces and provide the most elegant lifestyle that had ever been experienced to that time in Europe. The use of resources was for consumption, with little attention to investments for the future. So, by the 17th century, Spain was barefoot.

Is there a parallel in our 20th century experience? Through the printing presses there has been a massive creation of unearned money and credit. The United States has built the most affluent

nation ever known, with the highest standard of living for the greatest number of people. Is this but another example of over indulgence in consumption? Will we neglect investment and deplete our capacity to provide for future generations? Will the legacy of our time be an economic desert?

In America, each of us has a responsibility to help develop the successive generations of new people who will take up the tasks of society and who will provide the leadership essential to progress. In that regard, our Nation will reap only what it sows. The aggregate quality of our accomplishments will depend upon the individual merit of each participant.

Despite the magnitude and scope of the challenges, I have unshakable confidence in our future.

I see not an economic desert, but a verdant plain, lush with the produce of intelligent enterprise.

I see a family of man which is equitable not only in its aspirations, but also in its results -- with prospects for universal prosperity and peace.

I see it because the university harvest this year is truly a feast of talent. The human crop is good -- the fruits are filled with the essential nutrients of life.

I see it because you will make it so. Humanity depends upon you.