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Remarks by

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Thank you very much Andy. President Jordan, distinguished guests, ladies and gentlemen. For me, it is a special pleasure to be with you today. When Vernon Jordan invited me to participate in this conference, it took me only a micro-second -- responding quickly before he changed his mind -- to accept. I consider it an honor to be a part of any Urban League meeting, and a very special honor to have the opportunity to talk with you at this National Conference.

In the past, as Andrew Brimmer has pointed out or perhaps hinted, my activities with the National Urban League have been in my capacity as a private business executive. Now, I appear in a new and unexpected role. It was only last December, as the then new Chairman of the National Alliance of Business, that I persuaded Vernon and others to join the NAB Board in forging a new partnership to intensify efforts to provide jobs for the hard-to-employ. My personal involvement was short-lived, because right after Christmas, President Carter tapped me to be Chairman of the Federal Reserve. The rumor is that when I was able to get Vernon to come to the White House the President decided I should take over the central bank. I never aspired or expected to be a banker and certainly not a central banker, so I'm as surprised as you are to find myself standing here in this role.

In checking back, it seems that only one other central banker has ever addressed the Urban League -- that's Andy Brimmer, when he was a Governor of the Federal Reserve. I'm proud to follow his footsteps and to make this occasion perhaps another first -- by being the first central bank Chairman to share this podium.

It's timely and appropriate. It is increasingly urgent that you in the National Urban League understand and help to shape the economic policies of our nation -- monetary and fiscal -- which may well determine the prospects for achieving the National Urban League's own agenda. Indeed, economic policy may well be a critical factor in breaking the grip of poverty on the lives of millions of Americans and in paving the way toward the universal social justice which must be the essence of our national purpose.

The theme of your conference is well chosen: "Better Cities for a Better Nation."

The role of the city has changed over the centuries from a place of physical security, to a seat of government, to a trading market, to a religious and social hub, to an industrial base, and to a center for transactional business. The time is right for a re-emergence of the city as a vital force in our society.

The new city needs to be less specialized and more balanced -- encompassing all the functions of government, education, culture activities, religion, transactional business, production, transportation, health care, marketing and family life. There are compelling reasons to move in this direction.

One is energy. The rising cost of energy makes it imperative to seek a higher and better use of available resources. Because of its geographical concentration, a city makes it possible to carry out society's activities with less total energy requirements. Transportation needs are greatly reduced.

Inflation is another factor. The cost of operating in spreadout, scattered communities becomes even higher as inflation drives up all costs. Environment is another consideration since urban sprawl carries a high environmental cost. Demographic changes also favor cities. Longer life expectancy means a relatively older population with more need for the services a city can supply.

There are social considerations too, including the changing role of women in society. With more women pursuing independent careers -- an encouraging trend -- the city becomes a more convenient family base.

Then there is the human factor. Willie Sutton, when asked why he robbed banks, replied, "Because that's where the money is." To paraphrase, we need to be committed to assuring that America has better cities because that's where the people are.

All Americans have an obligation to help revitalize the cities we have too long neglected. We need to turn that neglect and the resultant decay -- and in some cases the wasteland -- of the central city into a vibrant metropolis, with bustling neighborhoods where people can live and work and play -- and pray -- in harmony.

And we must do so without displacing the poor whom we have left to inherit the blighted cities, but rather involving them as a dynamic element in a re-energized urban society.

None of this is, as you know, the primary task of the Federal Reserve System. But the Federal Reserve does have the principal responsibility for the nation's monetary policy -- the control of the supply and cost of money and credit that in turn influences the course of all economic activity. In exercising its responsibilities, the Federal Reserve can affect the prospects for realizing many of your own aspirations.

So let me talk to you for a few minutes as your central banker -- commenting on inflation, employment, and the choices between economic growth and recession.

We have come to our current difficult economic climate as the results of many years of ineffective economic management. 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 lead to imposition of wage and price controls which proved to be unworkable, inequitable and ineffective. The international monetary system broke down. With wage and price controls holding down the lid, the U.S. economy was reflatd and allowed to build up a high-pressure head of steam. When the controls were lifted, the steam blew off, contributing to double-digit inflation and double-digit interest rates.

To compound the difficulties, America, in a weakened state, provided the opportunity for the oil boycott to usher in a five-fold increase in world petroleum prices. Then the Watergate incident, and its aftermath, led to a general public disaffection with all institutions, public and private. Finally there

was the great recession of 1974-1975, with nine per cent unemployment and the greatest economic distress since the Depression of the 1930's. A very dismal record.

We are now in the fourth year of economic recovery from those troubled times. The level of prosperity has advanced considerably. Social and economic and political conditions have become more stable. Yet, in the face of progress, there remains nagging uncertainty. This is not because of any lack of agreement on economic goals. There is a universal accord that our objectives should be full employment and price stability.

The uncertainty arises because we have not yet found agreement on the means to attain these goals. We have not yet had a clear vision of the new directions we must take to free ourselves from the mistakes of the past.

I am convinced that America's economic goals can be achieved. The means to do so are at our disposal. All that is required is the will. We should realize that there is a confluence of individual self-interests that compels us to join together in a common effort. Divided, we shall realize none of our goals. United, we shall accomplish them all.

Inflation is now a clear and present danger. It is a matter of priority, not because it has precedent over the quest for full employment, but because under present circumstances it is the primary obstacle to achieving full employment. I personally reject the proposition that full employment causes inflation. Quite the contrary: inflation causes unemployment, and the only chance we have for full employment with price stability is to curb the inflationary forces that threaten to destroy us.

Inflation destroys values and incomes. It dries up job-creating investments, impairs the prospects for new housing and other construction, and breeds recessions. It creates financial strains on individuals, businesses, and government, accelerates government spending, causes higher interest rates, and disrupts international trade and the stability of the dollar. It is especially hard on the poor, the elderly, and those who live on fixed incomes. In short, inflation is the most destructive force in our economy today. It is the cruelest tax of all. It is a serious obstacle to human progress. It destroys values; it destroys jobs; it destroys people.

The Federal Reserve System has limited resources to combat inflation. Monetary policy, which is our role, has its limitations.

We are stuck with a dilemma. On the one hand, if the Federal Reserve acts alone to curb inflation -- by tightening up credit through monetary policy -- then the consequence will be a shortage of credit, a slowdown of the economy, and the prospect of a recession within a relatively short time. But, if the Federal Reserve fails to act to curb inflation and prints the money to allow inflation to continue, then surely within a very short time we will again see double-digit inflation, double-digit interest rates, and a complete breakdown of opportunities for investment in jobs and continuing growth. In that case, the result will be, not a recession, but a serious economic downturn of even greater magnitude than we experienced in 1974 and 1975.

So the Federal Reserve, for its part, must walk a very narrow path, and it is for that reason that we have called upon other participants in government economic planning to do their share -- to relieve some of the burden -- so that we can work together to curb inflation without bringing on a recession.

The Federal Reserve -- or at least I personally -- reject the idea that a recession will contribute to solving our problems. A recession will not do enough to curb inflation and moreover

will do a great deal of damage to people throughout our country. For this reason, we are endeavoring -- to the best of our ability -- to walk this narrow tight rope, restraining inflation yet not allowing the economy to spin into a recession.

Let me share with you one of our other dilemmas. Under present circumstances, macro-economic policies -- the monetary and fiscal policies determined at the Federal level -- cannot assure us of full employment. And the reason is simple: under today's conditions, if we should stimulate the economy enough to provide a job for all those who need and should have one, the inflationary pressure we build up by doing so would produce the opposite effect. It would result in credit abundance and uncertainty as to future markets, prices, and interest rates that would dry up investment, dry up economic activity, and create a serious recession.

And it is for that reason that monetary policy and fiscal policy need to be coupled with programs that are targeted, specifically, to the needs of the unemployed -- the needs of the blacks and other minorities, the needs of teenagers, the needs of those in the core center of cities who have been left in the backwater of our economic misfortune. It is for this reason

that the National Alliance of Businessmen continues to work with President Carter and the Administration to seek a new program of private sector initiative to create jobs -- jobs targeted on the unemployed, jobs in the private sector with the highest prospect for continuing upward mobility -- employment that will lead to careers.

Let me turn for a moment from these difficult problems of monetary policy to comment for a moment on the role of the Federal Reserve as a regulatory agency. We know today that you are concerned with needs that involve not just opening the doors for employment -- not just the quantity of employment -- but beyond that, the quality of employment. We know that these needs involve the development of enterprise. We know that they involve access to the economic resources that are essential if blacks and other minorities are to have their full share in our economic life.

The Federal Reserve -- as Andrew Brimmer pointed out -- does have a role in this activity through writing and enforcing regulations. I merely want to assure you that we will continue and improve our emphasis on fair access to credit for all Americans, on assuring that housing credit and funds are available without discrimination -- in any place or for any reason.

What is it that I would like you to remember from these brief remarks today? I would like for you to remember only a few things.

One, that inflation is a clear and present danger which can upset your own aspirations. It is a threat to achieving the full employment and economic progress which you seek individually and collectively.

Second, I would like you to remember that full employment is compatible with the fight against inflation; do not be misled by those who claim the contrary. Only by bringing inflation under control can we assure full employment. And, I would like you to remember, as a part of that message on employment, that in the meantime -- while we're waiting to find new directions for the economy -- we must concentrate anew on the poverty programs which offer the best chance for providing sound employment opportunities for those who are disadvantaged.

The third thing I would like you to remember is that we must all reject the solution of recession. It is not an acceptable way out of our problem, and we must not allow anyone to convince us that it is.

The fourth thing I would like you to remember is that the Federal Reserve will do its best to be a positive force by assuring equal credit -- and equal housing opportunity, as represented by credit availability -- to every American.

And the fifth thing I would like you to remember is something that I have mentioned only in passing, but I would like to emphasize it and hope that you will follow up in the near future. The National Urban League needs to have a stronger voice in economic affairs. With economic policies so critical to the progress you seek to achieve, it is essential that you not abdicate in this area, but rather that you move as quickly as possible to assemble the talent and the respected voices, and that your presence heard -- in Washington and throughout the land -- on those economic policies that can assure the progress we all desire and we all seek.

Fourteen years since the passage of the Civil Rights Act is a short time, and it is a long time. There has been progress, but not enough. The issues have changed. The issues have become more sophisticated; the barriers, more subtle. It is time for the civil rights movement to move into a new stage II, with new confidence, new professionalism, and new directions of its own.

Last night, Vernon Jordan said a number of important things to you, and I'd like to just quote one paragraph. He said, "Two hundred years ago Americans made a revolution, but they didn't complete it. They stood at the forked road to the future and took the wrong path; a path that led to slavery, to racism, and to denying freedom and liberty to black people. Now we're at another crossing in the road. Another path to choose. And we of the Urban League are telling America not to go down the same old road. We of the Urban League are telling our Nation to take the path of righteousness, of justice, of freedom and equality."

Yes, we are at a very important crossroad. We must reject the path of negativism which Vernon expressed concern about last evening, and we must select the road that shows positive opportunity for progress. That is the only sure way for any of us to find satisfaction in our individual and collective lives. That path is one that will test our worth. We are trying to prove that a pluralistic society on the face of this earth can work, can survive, can achieve equality of opportunity and equality of result. It will test our moral fiber to see whether we can take the right path, rejecting the escapism of drugs and alcohol

and depravity and selecting the hard course of application and work and commitment and faith and love. Each of you and all of you should support such great leaders as Vernon Jordan, because when you support him you support the choice of the right path. And if we march down that right path together, we shall indeed achieve the goals that will make this a great land once again. Thank you very much.

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