

Remarks of

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This is a rather historic occasion for me to be addressing this group. NAB has completed its first decade of service. It can look back on those 10 years with a great sense of accomplishment. Many milestones have been reached, and the opportunities for commemorating your achievements are tremendous. But there is little time, it seems to me, for the National Alliance of Business to pause to savor its success. And there is no time to rest on your laurels.

NAB was not organized just to conduct a battle; it was organized to carry out a complete war -- a war that would defeat idleness, defeat poverty, defeat despair; a war that would achieve victory for opportunity, for human dignity, for the value of the individual. The changes since NAB came into being are many. The very structure in which we work, the issues we face, have changed dramatically. And the challenge for NAB is going to be to adapt and to build on its past accomplishments and progress and make an even greater contribution in the decade ahead.

The reason it is increasingly critical that you do so is because the life and death issues that face our society are far more critical. Today we are suffering from various serious threats to our well-being in the form of pervasive and deep-rooted inflation. That inflation has grown up over some 12 or 14 years. In the process, it has become deeply embedded in our system. It will require a dedicated strategy, implemented over a number of years, if we are to avoid the destruction of values and incomes and investment that also destroys the chance for accomplishing your purposes and accomplishing the overall goals of our nation.

Inflation is so deadly a disease that, if it is not checked, it can undermine not only the economic but the political and social values of our entire society. So it is critical that we move with understanding,

with will, and with a determination to deal with this problem of inflation.

In the year and a quarter since I have been in Washington, it is rather remarkable how this has come to be the number one issue and how a number of fundamental policies have been hammered into shape to form the strategy, the arsenal of weapons, representing the capacity to deal with and to conquer this dread disease.

The first policy that was put into place was redirection of fiscal policy toward more discipline, toward greater reduction of the role of Federal expenditures in our economy, toward a shift of resources to the private sector where the spending and the investment decisions of millions of Americans and businesses will be more effective than the same expenditures by the Federal government.

Second, an incomes policy was introduced in an effort to moderate wages and prices as a means of buying time until more fundamental policies can come into play. This, unfortunately, has often been characterized as though it were the anti-inflation program, while it is perhaps one of the least important parts -- but a critical part -- of that strategy. The incomes policy represented by the voluntary wage and price standards has, in my opinion, made a contribution, because it has resulted in less of an increase in prices and wages than would have taken place had the program not been in effect. I think that there has been far too little credit given to the corporations which have, without any worry of sanctions, been willing to comply with this program in the self-interest of their own companies and in the interest of this nation. Too little credit

has been given to the labor unions; over 90 percent of the contracts signed since last October clearly have been in compliance.

A third policy has been the dollar policy. All last year you were reading headlines about the decline and the weakening of the dollar. It was not just a matter of pride; the decline of the dollar was a real threat to our nation in terms of inflation. The decline of the dollar from September, 1977 through October 1978 added one percent to inflation last year because of the higher prices for essential imports. Because those prices work through our system slowly, as contracts run out and new commitments are made, we will have to suffer an additional one percent of inflation this year as a result of the weak dollar over a 12-month period. Two percent of added inflation means that consumers in America will pay \$30 billion more over two years than would have been the case had we not had the decline of the dollar.

In the strategy to fight inflation, it was no wonder then that the government marshalled considerable resources. In cooperation with other governments, the Treasury, the Federal Reserve and the White House, a massive program was put into place last November 1 that has been effective in stabilizing and strengthening the dollar and returning to us the opportunity to cushion some of the effects of world events.

A fourth policy has to do with energy. This country developed on abundant and inexpensive energy. Not long ago, we were a vast sparsely populated continent with seemingly boundless sources of cheap energy. We used those sources to build the highest standard of living for the greatest number of people that any nation has ever achieved. In doing so, we used

energy instead of labor or muscle -- which we were short of -- and instead of capital. Now we are coming to the end of the period when oil flows through straws, if you will. We are going to go through an important transition, a critical transition in terms of our strategy to deal with inflation.

Some important steps to shape a new energy policy have already been taken. Many of them you know. The policy involves new laws, including the natural gas bill enacted last fall which by creating a national market, has had some effect on improving supplies and equalizing the availability of this energy source. We now also see the President taking the courageous step of decontrolling domestic crude, returning to market forces which is an essential part of the process of conserving and allocating resources as we make this transition. The transition we'll need to make in our transportation stock, in our housing stock, in our industrial stock, will take a number of years. We can view energy as a divisive issue or we can use it to unite our nation behind a modernization program that will once again return America to a position of dominance in the world in terms of technology and productive capacity. It is the latter view that must prevail in the strategy to fight inflation.

A fifth important policy weapon that has been put in place is monetary policy. In putting all of these policy weapons that make up the strategy into place, we have had the very good fortune to have a common understanding and, therefore, a confluence of policies working in the same direction. During this period, monetary policy has been directed toward restraint in order to curtail the growth of money and

credit and thus dampen demand so as to avoid the excesses which would drive us into a new round of inflation. Second, this policy has been applied steadily and consistently, so that families and businesses could adjust their plans with a knowledge of the course of policy, without surprise or shock. Third, monetary policy has been implemented so as to avoid any undue burden falling on any sector of the economy. It is for this reason that we authorized the money market certificates and allowed the housing industry to compete for credit resources with other industries, thereby avoiding the disintermediation and depression in housing which has been characteristic of past cycles. Fourth, monetary policy has been applied to try to bank the fires of inflation and slow down the economy without carrying our nation into a serious recession, which would carry with it tremendous human suffering and very little long-range impact in terms of correcting policy.

We now need to address ourselves to a sixth policy weapon, and that is a policy to incentivize investment, to favor investment over consumption as we recover from the slowdown in 1978. In that way, we can lead ourselves out of this period of consolidation and pause with an effort on productivity, with an effort on investments to improve our technology, to reduce our unit costs, to reduce our energy per unit costs, and we can return America to the leading nation in terms of its capacity to produce at stable and low costs.

Now this strategy fits into your program because it is within this framework of economic policy that you must make your contribution toward dealing with the issue of structural unemployment. There have been great changes over the decade that NAB has been in business. As

you know, the nature of the problem has shifted. In many ways it has become more pervasive, more deeply embedded as has inflation. We know now a great deal more about it. We know more about where the problem exists, what kind of people need help in making the transition from under-utilization to full contribution to our society. We know that we must move from generalized policies to more targeted and specific policies if we are to achieve the kinds of gains that we need.

I would like to suggest to you some policy considerations and policy options that I think are critical to understanding your mission and how it relates and contributes to the total mission of this nation.

First, it seems to me that we must reject the idea that macro-economic policies can do the job that you are trying to do. If we try to stimulate this economy in order to create jobs for all those who need employment, we will strain our resources and unleash a round of inflation that would destroy all values, in all jobs. We must reject that as a solution.

We should also, in my opinion, reject the idea that we can cure inflation by placing the burden on a massive number of unemployed Americans; that to me is unacceptable. I do not think that we can ask those who are disadvantaged in America to bear the burden in making the adjustment. I reject the idea that we can use macro-economic policies to stimulate or to depress the economy in order to solve this problem. I also reject the theory that there are limits in what we can do to provide employment for Americans. It is often said that

there are only so many hours and so many jobs in the economy and it is just a question of shuffling one person or another into those jobs and into those hours. I reject this. There is plenty of work to do in America. What we need to do is to link those who are anxious to work with the work that is there, and reject the idea that there is no room in the inn for all those who want to participate.

We must, instead, accept the philosophy of economic moderation to dampen the amplitudes of boom and bust that have been so destructive of our economic progress. We must accept the idea that every American can play a role in this moderately controlled progress in future years. There are no bounds to the work that America has to do. We must, therefore, accept the proposition that the National Alliance of Business has a critical role to play in bringing the people who want and need to participate into a full partnership in this society at the same time that we maintain a sound economic course to wipe out inflation over the next five, six or seven years.

So, in the decade ahead, as you struggle with this problem of linking up those who should be participating with the jobs that are waiting, you need to do so in harmony with all the other policies I've outlined that are designed to create the climate in which we can march forward to accomplish our primary goals of full employment, price stability, and a sound dollar.

What has been most impressive to me over my years of experience is the great merit of our private enterprise system, how superior it is in addressing our issues of economic progress and well-being. But it is

important to link that powerful system to effective partnership with the government. That partnership between business and government is the critical link. That is the essence of a potential great power.

Partnerships are difficult. All of us who are partners in anything go through periods when we have some degree of uncertainty about our own roles and our own missions and our own objectives. There are times when we are uncertain about what we are trying to accomplish. I think this is one partnership that has lived through the good times and the bad times and has survived and is stronger than ever today. I think it is our great good fortune that there is a complete confluence of interest now between the governmental objectives and the private sector objectives. All of us desire the same thing: government has come to realize the limits of government power and is relying more on the private sector; the private sector has realized that in the complex society in which we live, in this time of great transitions, partnership with government is essential if we are to address the issues objectively and unemotionally and come up with the answers to the benefit of the greatest number of people.

What has been accomplished by NAB over the past decade may seem quite minor compared to the contribution that NAB can and will make in the coming decade. The job you are undertaking is one that is business-like, pragmatic; it has goals, it has objectives, and each day it faces the problem, deals with it, and solves it. But I hope that you will not forget, as you approach this problem in a business-like way, that there is probably no program alive in America today more humanistic than the National Alliance of Business. In going about your business of creating job opportunities for all Americans,

you are contributing to the well-being and to the spiritual advancement of everyone in this nation. Therefore, your mission is one with a great sense of purpose, meeting a great national need. You deserve the support and encouragement of all Americans, and I certainly will do my best to help you in your years ahead.