

Hwm

Date: January 22, 1980

MEMORANDUM FOR: The Secretary

From: Executive Secretariat *uf*

Subject: Speech for 1980 Savings Bonds Kick-Off, January 23

Attached at Tab A is your speech which incorporates your edits and a few additional changes we have made.

A scenario of events is attached at Tab B.

Additional material giving an update on New York City finance is being prepared and will be provided separately this afternoon.

	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Ex. Sec.
Surname	SE:KButton					
Initials / Date	KRB / 1/23/80	/	/	/	/	/

*plan*  
# 534

Date: **16 JAN 1980**

**MEMORANDUM FOR: SECRETARY MILLER**

**From:** Azie Taylor Morton *ATM*

**Subject:** January 23 Remarks - New York City

Attached are:

1. suggested remarks for your use in the top management meeting in New York City January 23, 1980,
2. scenario of events.

Our staff in New York advises that they are expecting 400 to 425 attendees at this important meeting.

Attachments

	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Ex. Sec.
Surname	Johnston	Adams	Anderson			
Initials / Date	/	<i>JA</i> / 1/14/80	<i>BBH</i> / 1/14	/	/	/



REMARKS OF THE HONORABLE  
G. WILLIAM MILLER  
SECRETARY OF THE TREASURY  
BEFORE THE GREATER NEW YORK CITY  
TAKE STOCK IN AMERICA COMMITTEE  
AT THE PLAZA HOTEL, NEW YORK, NEW YORK  
FOR THE 1980 SAVINGS BONDS KICKOFF

GOOD AFTERNOON LADIES AND GENTLEMEN.

IT IS A PLEASURE TO BE HERE. THIS IS MY THIRD YEAR OF ATTENDANCE AT THESE MEETINGS, AND EACH TIME I'VE SEEN THEM FROM A DIFFERENT VIEWPOINT.

IN 1977, I WAS A BUSINESSMAN AND CHAIRMAN OF THE U.S. INDUSTRIAL PAYROLL SAVINGS COMMITTEE -- A POST ABLY FILLED TODAY BY MY GOOD FRIEND, BOB KINNEY, OF GENERAL MILLS.

LAST YEAR, I WAS CHAIRMAN OF THE FEDERAL RESERVE BOARD, A POSITION NOW HELD BY PAUL VOLCKER, WHOM MANY OF YOU KNOW.

AND THIS YEAR I COME BEFORE YOU AS SECRETARY OF THE TREASURY. STAY TUNED FOR NEXT YEAR.

UNITED STATES SAVINGS BONDS HAVE BEEN PART OF MY LIFE FOR A LONG TIME, AS THEY HAVE, I'M SURE, FOR MANY OF YOU. ALMOST 39 YEARS AGO, ONE OF MY PREDECESSORS, TREASURY SECRETARY HENRY MORGENTHAU, JR., INAUGURATED THE MODERN BOND PROGRAM WHEN HE SOLD THE FIRST SERIES E BOND TO PRESIDENT FRANKLIN D. ROOSEVELT ON MAY 1, 1941.

THE DAY BEFORE THAT SALE, A FINANCIAL COLUMNIST WROTE SOME PROPHETIC WORDS WHICH DESERVE TO BE REPEATED. THIS COLUMNIST WROTE:

"TOMORROW, IN 16,000 POST OFFICES AND THOUSANDS OF BANKS...DEFENSE SECURITIES COSTING FROM 10 CENTS TO \$10,000 WILL GO ON SALE."

"THIS STARTS 1941'S DEFENSE LOAN CAMPAIGN. BEFORE IT IS COMPLETED -- A YEAR OR MANY YEARS FROM NOW -- BILLIONS OF DOLLARS WILL HAVE BEEN BORROWED BY THE TREASURY FROM THE LITTLE PEOPLE OF AMERICA. TENS OF MILLIONS WILL OWN GOVERNMENT BONDS FOR THE FIRST TIME..."

THE COLUMNIST WENT ON TO SAY, AND THIS IN 1941 - "NO MATTER WHAT YOUR INCOME OR FINANCIAL STATE, THERE ARE DEFENSE BONDS SUITABLE FOR YOUR PURCHASE...EVERYONE IS COVERED...FROM THE SCHOOL BOY WHO CAN AFFORD A 10 CENT WEEKLY CONTRIBUTION TO THE WEALTHY INDIVIDUAL...(BUT) THE WEALTHY INDIVIDUALS OF THE NATION ARE OF SECONDARY IMPORTANCE. IT'S THE LITTLE FELLOW THAT COUNTS..."



AND THE 1941 COLUMN ENDED WITH THESE WORDS:

"THERE IS NO PARALLEL ANYWHERE IN ALL HISTORY FOR THE MAGNITUDE OF THE BORROWING DRIVE THAT STARTS TOMORROW IN THIS NATION."

I'M DELIGHTED TO KNOW OF AT LEAST ONE COLUMNIST WHOSE PREDICTIONS HAVE COME TRUE.

SINCE THOSE WORDS WERE WRITTEN, OUR COUNTRY HAS GONE THROUGH WARS AND PEACE, PROSPERITY, RECESSION, INFLATION.

THEY WERE WAR BONDS WHEN WE NEEDED A RALLYING POINT FOR OUR DIVERSE PEOPLES.

THEY WERE PEACE BONDS FOR RETURNING G.I.'S, AND MONEY FOR THEM TO START NEW BUSINESSES OR FAMILIES.

BONDS HAVE IMPROVED LIFE FOR MILLIONS OF AMERICANS BY SENDING THEM TO SCHOOL, HELPING THEM TO BUY NEW HOMES, GO ON VACATIONS, OR RETIRE WITH MORE DIGNITY AND SECURITY.

UNITED STATES SAVINGS BONDS HAVE BEEN A TRADITION, AN INVESTMENT IN THE COUNTRY, AND AN EXCELLENT WAY TO SAVE. TODAY, THEY CONTINUE TO BE ALL OF THESE THINGS AS WELL AS A TIME-TESTED WAY TO RAISE FUNDS FOR ONGOING NATIONAL NEEDS.

THE TERMS AND CONDITIONS OF SAVINGS BONDS HAVE CHANGED OVER THE YEARS. THIS MONTH, WE ARE INTRODUCING THE NEW SERIES EE BONDS, WHICH WILL MATURE IN 11 YEARS, WITH 7 PERCENT INTEREST WHEN HELD TO MATURITY. SERIES EE BONDS ARE SOLD IN DENOMINATIONS RANGING FROM \$50, FACE VALUE, UP TO \$10,000. AND THEY CAN BE BOUGHT FOR ONE-HALF OF THEIR FACE VALUE, WHICH IS A CHANGE FROM THE 75 PERCENT PURCHASE PRICE OF PREVIOUS SERIES E BONDS.

THE 1980 SERIES EE BONDS RETAIN MANY OF THE LONGTIME BENEFITS OF EARLIER SAVINGS BONDS. THESE INCLUDE THEIR ABSOLUTE SAFETY AND THE TAX DEFERRAL FEATURES. BUT THE REAL SECRET OF ANY GOOD SAVINGS PLAN -- THE REAL SUCCESS OF THESE BONDS -- IS THE PAYROLL SAVINGS METHOD, WHICH MAKES IT EASY FOR A PERSON TO START, AND EASY TO MAINTAIN, A SYSTEMATIC WAY TO SAVE.

THERE ARE MANY WAYS TO INVEST MONEY YOU NOW OWN, BUT NOT AS MANY WAYS TO SAVE THE MONEY YOU RECEIVE NEXT WEEK. THIS IS A MAJOR REASON WHY ALMOST 10 MILLION AMERICANS USE PAYROLL SAVINGS PLANS.

SAVINGS BONDS ARE AN IMPORTANT MEANS OF ENCOURAGING SAVINGS BY THE MANY AMERICANS WHO CAN AFFORD TO PUT ASIDE ONLY SMALL AMOUNTS AT ANY ONE TIME. AND IT IS CLEAR THAT WE MUST NOT ONLY MAINTAIN BUT INTENSIFY OUR EFFORTS TO ENCOURAGE SAVINGS AT ALL LEVELS.



A DECADE AGO, SAVINGS WERE ABOUT 7.4 PERCENT OF DISPOSABLE INCOME. TODAY THEY HAVE DROPPED TO ABOUT 4 PERCENT. ACCORDING TO ONE STUDY, PERSONAL SAVINGS IN 1977 AND 1978, OUTSIDE OF PENSION FUNDS, TOTALED LESS THAN ONE PERCENT OF PERSONAL AFTER-TAX INCOME. AND OTHER STUDIES INDICATE THAT ONE OUT OF FOUR AMERICANS HAVE NO SAVINGS AT ALL.

WE NEED TO ENCOURAGE MORE, RATHER THAN LESS, SAVINGS, AND WE NEED TO DO IT ON A LONG-TERM BASIS. WITHOUT THE \$80 BILLION OUTSTANDING IN SAVINGS BONDS, THE NATIONAL SAVINGS PICTURE WOULD BE EVEN MORE GRIM. AND I AM NOT AT ALL CONVINCED THAT, WITHOUT THE OPTION OF BUYING SAVINGS BONDS, MANY OF THESE PEOPLE WOULD CONVERT TO OTHER FORMS OF SAVINGS, OR THAT MANY FINANCIAL INSTITUTIONS WOULD SEEK THEIR PAYROLL FUNDS.

BUT I HAVE BEEN ASKED -- AND YOU MAY BE TOO -- WHY WE CANNOT COUPLE THE CLEAR ENCOURAGEMENT TO SAVINGS PROVIDED BY THE PAYROLL SAVINGS PROGRAM WITH HIGHER INTEREST RATES -- EVEN INTEREST RATES LIKE THOSE ON INVESTMENT CERTIFICATES.

PART OF THE ANSWER IS THAT SAVINGS BONDS ARE JUST A DIFFERENT BREED OF CAT. AS AN INSTRUMENT FOR THE ACCUMULATION OF THE SMALL SAVINGS OF MILLIONS OF AMERICANS, SAVINGS BONDS INVOLVE ADMINISTRATIVE COSTS THAT WOULD BE EXPECTED TO RESULT IN LOWER INTEREST RATES THAN THOSE PAID ON LARGE DENOMINATION INVESTMENT CERTIFICATES OF COMPARABLE MATURITY.



BEYOND THAT, SAVINGS BOND INTEREST RATES MUST BE RELATED TO THE RATES OFFERED ON THE OTHER OPTIONS AVAILABLE TO SMALL SAVERS. ONE OF THESE, OF COURSE, IS PASSBOOK SAVINGS AT BANKS AND S&L'S, NOW PAYING A MAXIMUM OF 5.5 PERCENT. WITH SAVINGS BONDS AT 7 PERCENT, WHEN HELD TO MATURITY, THE DIFFERENTIAL BETWEEN SAVINGS BONDS AND S&L PASSBOOK RATES IS CURRENTLY THE HIGHEST IN HISTORY.

BUT THE OPTIONS AVAILABLE TO SMALL SAVERS ARE CHANGING AND SHOULD CHANGE. RETURNS TO SMALL SAVERS HAVE LONG BEEN RESTRICTED BY FEDERAL LAW AND REGULATIONS THAT HAVE PREVENTED SMALL SAVERS FROM OBTAINING MARKET RATES ON THEIR SAVINGS. THAT IS WHY PRESIDENT CARTER -- CONSISTENT WITH HIS EFFORTS TO REMOVE UNWARRANTED FEDERAL REGULATIONS AND EXPAND THE SCOPE FOR MARKET FORCES -- HAS RECOMMENDED TO CONGRESS THAT THE DEPOSIT RATE CEILING BE PHASED OUT OVER AN ORDERLY TRANSITION PERIOD. CLEARLY A CHANGE OF THIS MAGNITUDE CANNOT OCCUR OVERNIGHT. IT MUST PROCEED IN STAGES TO ALLOW THE NECESSARY ADJUSTMENTS IN THE OPERATIONS OF THE NATION'S THRIFT INSTITUTIONS. BUT EQUALLY CLEARLY SUCH A CHANGE MUST OCCUR, AND AS IT DOES, IT WILL INEVITABLY AFFECT THE CONTEXT IN WHICH THE SAVINGS BOND PROGRAM OPERATES.

THERE IS AN OLD CHINESE PROVERB, "MAY YOU LIVE IN EXCITING TIMES." THIS WILL BE AN EXCITING AND CHALLENGING YEAR FOR VOLUNTEERS IN THE SAVINGS BONDS PROGRAM. THERE IS NO SUBSTITUTE FOR YOUR PERSONAL LEADERSHIP, AND I URGE YOU TO GET INVOLVED.



YOU MAY RECALL THE STORY OF TWO SHOE SALESMEN WHO WENT ON A BUSINESS TRIP TO A SOUTH PACIFIC ISLAND. SHORTLY AFTER ARRIVING, ONE MAN CABLED BACK "RETURNING IMMEDIATELY. NONE OF THE INHABITANTS WEARS SHOES." THE OTHER MAN CABLED BACK "STAYING INDEFINITELY. PROSPECTS ARE TREMENDOUS. NONE OF THE INHABITANTS WEARS SHOES."

BRING YOUR OWN DOUBLE E'S OF ENERGY AND ENTHUSIASM -- AND PERSONAL LEADERSHIP -- TO THE SAVINGS BONDS EFFORT AND YOU WILL SEE RESULTS.

LET ME TICK OFF AGAIN SOME OF THE ADVANTAGES OFFERED BY SAVINGS BONDS:

- (1) THE CONVENIENCE OF PAYROLL DEDUCTIONS FOR SAVINGS SMALL AMOUNTS;
- (2) AN INTEREST RATE AT LEAST COMPETITIVE WITH OTHER SAVINGS ALTERNATIVES FOR SMALL, PERIODIC SAVERS;
- (3) ABSOLUTE SAFETY AS AN OBLIGATION OF THE U.S. GOVERNMENT;
- (4) LIQUIDITY THAT ALLOWS BONDS TO BE CONVERTED INTO CASH IF NEEDED WITHOUT MARKET RISKS TO PRINCIPAL THAT WOULD EXIST ON MARKETABLE SECURITIES;
- (5) THE OPTION FOR TAX DEFERRAL OF INTEREST THAT, WITH COMPOUNDING, GREATLY INCREASES AFTER-TAX YIELDS FOR MANY AMERICANS.

ANY PROGRAM THAT CAN HELP 15 MILLION PEOPLE YEARLY TO SAVE  
-- 9-1/2 MILLION ON PAYROLL SAVINGS --

ANY PROGRAM THAT CAN CAPTURE THE IMAGINATION AND EFFORTS OF  
LEADERS LIKE YOURSELVES --

ANY PROGRAM THAT UNITES AMERICANS IN THIS NEW "PULLING  
TOGETHER" DECADE OF THE 1980'S --

IS A PROGRAM WITH WHICH I AM HAPPY TO BE ASSOCIATED. THE  
CHALLENGES THIS YEAR FOR YOU WILL BE TO INSURE A SMOOTH TRANSI-  
TION TO THE NEW BONDS ON PAYROLL SAVINGS PROGRAMS, AND TO HELP  
THE PROGRAM AND ITS PARTICIPANTS TO GROW AND PROSPER. AS WE MEET  
THESE CHALLENGES, WE WILL GROW OURSELVES.

AND NOW, LET ME ENLARGE THE CANVAS AND BRIEFLY DISCUSS THE  
GENERAL ECONOMIC PICTURE.

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TREASURY SECRETARY

G. WILLIAM MILLER

JANUARY 23, 1980

11:00 - 11:30	PRESS CONFERENCE, BAROQUE FOYER, PLAZA HOTEL
11:30 - 12:15	RECEPTION, BAROQUE ROOM
12:20	PRESENTATION OF COLORS, WELCOME AND INVOCATION, GRAND BALLROOM
12:30	LUNCHEON
1:10	MAYOR EDWARD I. KOCH - REMARKS
1:15	MR. JAMES D. ROBINSON - REMARKS (MR. ROBINSON IS CHAIRMAN OF THE BOARD & CEO, AMERICAN EXPRESS COMPANY, AND NEW YORK STATE VOLUNTEER CHAIRMAN FOR SAVINGS BONDS.)
1:20	SECRETARY MILLER - ADDRESS
1:45	MR. EDWARD F. GIBBONS - CLOSING REMARKS (MR. GIBBONS IS CHAIRMAN AND CEO, F.W. WOOLWORTH CO. AND 1979-1980 GREATER NEW YORK CITY GEOGRAPHIC CHAIRMAN)
1:55	END OF MEETING