



For Release  
12 Noon, E.S.T.

REMARKS OF  
SECRETARY OF THE TREASURY G. WILLIAM MILLER  
AT KICKOFF OF GREATER NEW YORK CITY  
SAVINGS BOND DRIVE  
OCTOBER 28, 1980

Savings Bonds have played an important role in our nation's history for almost half a century.

When the program began in 1935 widespread bank failures had robbed the country of its confidence that money could be safely saved anywhere but under a mattress. The initial "Baby Bonds" helped to restore that confidence, and aided in financing the government expenditures that were needed to get Americans off breadlines.

Six years later, the first Series E Defense Bonds went on sale. The public responded by buying more than 39 billion dollars worth between 1941 and 1945, which provided some of the economic ammunition to wage a global war against totalitarianism.

Today, these bonds, and the regular savings habit they help to promote, have a role to play in this era's great challenge: revitalizing the nation's economy. With your help, I am confident that we can make that a valuable role.

To better understand the part Savings Bonds can play, I would like to take a few moments to review with you the economic climate in which we are about to launch the 1981 campaign.

Obviously, the last year has been a difficult one for our economy. Massive shocks from the 1979 OPEC price increases led to soaring inflationary expectations and interest rates. These were followed by sharp quarterly drops in output.

As unemployment rose and the housing and automotive industries sagged, there were temptations for strong government stimulus actions. But those of us responsible for charting the nation's economic course felt that the great strength, resilience and balance within our economy, provided inherent self-curative powers. We believed what was needed was less government intervention and more reliance on the market system.

We proceeded on that basis and now it seems that the recession of 1980 may prove to have been one of the shortest on record.

Auto and housing markets have been improving. The index of leading indicators has risen for three successive months, and the unemployment rate edged down to 7 1/2 percent in September. The latest monthly reports on industrial production and personal income were similarly encouraging. In September, industrial production increased a full percentage point and personal incomes also rose.

These, of course, are welcome signs. They point to a steady upturn, and reaffirm our belief in the economy's basic vitality. It remains for us to make sure that we continue to manage the economy so as to nurture that upward trend.

But that is only the short-term challenge facing American industry and American government. The long-term challenge is to take the steps that will effectively reinforce and strengthen this recovery without rekindling inflation. This will be a most difficult task. It will involve a fundamental revitalization of our economy.

Inflation is a malignancy which has deeply embedded itself in our system over the past 15 years. It threatens our economy, our national security and our future progress as a nation. It is an even more insidious enemy because its victims are also its allies. As that late, lamented philosopher, Pogo, was wont to say, "We have met the enemy, and he is us."

Although we have made strides toward greater conservation, we are still a society of consumers, a society which has paid too little attention to saving and investment. This compounds our problem in fighting inflation.

The two key elements of inflation are skyrocketing energy costs and the declining rate of our productivity.

We will never solve the problem of inflation until we decrease our dependence on foreign oil by renewing our capacity to produce alternate sources of energy domestically.

At the same time, we must improve our rate of productivity. In the two decades following World War II, we excelled in the rate of improvement of productivity. And we are still the most productive nation in the world. But since 1965 we have allowed our gains to lag slowly until they are now almost nonexistent. If we do not correct this problem, our competitiveness in the world markets will continue to erode and we will lose not only in the short term but in the long term as well.

There are no quick, easy fixes for these problems of persistent inflation and declining productivity. To solve them we will have to extend our vision far beyond the normal economic horizons and seek a perspective which perhaps goes beyond what is politically popular.

Part of that perspective is the recognition of an underlying economic fact of life. And that is that for too long now -- for some 15 years -- we as a nation have sought instant gratification, have pursued the life of consumption and affluence, and have not been putting enough back into our system to ensure its renewal and continued strength. As the old Chinese proverb puts it, "Life is like a cookie jar. If you only take out and never put back, the jar is soon empty."

The time has come for us to start replenishing the jar. We need to put back into our economy the investments that are necessary to modernize and revitalize it.

The agenda for the next decade is awesome:

-- to build the productive capacity of our conventional sources of energy, including oil, gas, coal and nuclear power.

-- to double our output of coal in the next 10 years.

-- to build a whole new synthetic fuels industry, which will take hundreds of billions of dollars.

-- to create new industrial processes, transportation systems and structures that are energy efficient.

-- to modernize all our basic industries across the board, particularly our automobile industry, with the greatest investment ever undertaken in such a short period of time.

All of this must be accomplished if we are to destroy the inflationary tumor eating at our system, and reenergize our productivity gains which for so long were our great strength and which gave us dominance in the world.

We can only achieve these goals if we are willing to make a significant shift in our economy from consumption to investment. And that will require a great deal of understanding and commitment on the part of all Americans. If we are to undertake a decade of unprecedented investment and revitalize our entire economic system, then we must also have the savings and the attitude about savings that will make our venture possible.

And this is where the Savings bonds program can play a role. I would be misleading you if I were to say that the Savings Bonds program is a large part of the answer to our revitalization problems. But it certainly is an important part of it.

Like the economy, the Savings Bonds program has weathered some stormy seas. I won't go back over the distressing times you have had to face with excessive redemptions and declining sales because of unprecedented market interest rates. I only want to thank you for not allowing this program to lapse while we were seeking the means to stabilize and enhance it.

Happily, we have succeeded. The President, as you know, recently signed legislation that allows a one percent increase in Savings Bonds interest during any six-month period. He then promptly approved my recommendation for a one percent increase effective next Saturday -- November 1, -- raising the interest rate on EE bonds from 7 to 8 percent. Of course this one percent increase will apply to outstanding E, EE, H and HH bonds as well.

Further increase is possible as early as May 1, 1981. We will look at that in the light of market conditions prevailing next spring.

With our new legislative authority, we already have made buying and holding Savings Bonds more attractive. We will now be able to assure holders of Savings Bonds the fair return that they should have. I hope, and I expect, that this will be reflected in increased sales and reduced redemptions in the months and years to come.

Those hopes and expectations are based on the knowledge that we have an excellent program to offer the small saver, one which offers him a unique blend of security, fair return, opportunity for long term appreciation and liquidity.

It seems to me that there are three things which we must do to ensure success of the 1981 campaign.

First, we must make sure Americans understand the special aspects and advantages of the program.

Second, we must present the program factually. We must and we will represent it fairly, and we must and we will promote it objectively.

Third, we must make it available to all Americans, particularly where they work, because the payroll savings plan is the very heart of the whole program.

Let me speak for just a moment about the program's advantages.

There is no system that is any safer; it has the complete backing of the Federal Government. Nor is there any other system that can offer a better balance between the small amount saved and its liquidity. We have an instrument that does not run any market risk as to its principal. Those who have \$10,000 to invest may prefer to buy a market instrument. But if they suddenly need the money, they may take a loss or a gain. They cannot predict which. But with Savings Bonds, the principal is there, the liquidity is there and the opportunity for long term appreciation is there. On top of that, there are the tax deferral features. Because of those characteristics the program occupies a special niche as a savings instrument.

Savings Bonds are quite simply a convenient, easy, safe way to save small amounts of money -- especially for those who need to develop the habit of saving.

This could be important to young Americans today who have not cultivated that habit. As Oscar Wilde once said: "Young people nowadays imagine money is everything. And when they grow older, they know it." Cynical, yes, but there is an element of wisdom there, too, and the trick is to get the young to realize it before it is too late.

Of course, we are not aiming our efforts at just the young. We want everyone -- young, middle aged and elderly -- to be aware of what we have to offer. We want them to know that by investing as little as a dollar at a time -- roughly the equivalent of a Sunday newspaper or a gallon of gas -- they can build a brighter future for themselves, and at the same time aid in the regeneration of our economy.

Recent international political and economic events have caused some to suggest that there is little anyone of us can do about it. That simply is not true. There is something each of us can do: Invest in America. Help your country by helping yourself. I have heard someone describe the buying of Savings Bonds as "Star-spangled self-interest." I like that.

That is our message. And it brings me to my second point, the promotion of the program. We have no desire to present it to people in some form that confuses or misleads them, or makes them believe it is something it is not. After recently reviewing the advertising campaign developed by the Leo Burnett Company as a volunteer ad agency working with the Advertising Council, I don't think we have anything to worry about. The print and display advertisements, and the new radio and TV spots, are effective and bring to life the reality of the Savings Bonds program in a sensible, sound fashion. And I think the Leo Burnett Company and the Advertising Council are to be commended.

If we all see to it that these new ads get out, and replace outdated materials, I feel certain the country will know what Savings Bonds are all about.

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The dramatist Henrik Ibsen once wrote: "A community is like a ship; everyone ought to be prepared to take the helm." Well, America is a vast community, one united in its resolve not to

allow inflation to destroy its freedoms and its way of life. The problem is that the individual frequently feels helpless to do anything about it.

Now, you can help. You are taking a turn at the helm. Your leadership will recharge the Savings Bonds Program and set it on a course of progress and growth. By getting our message across to your employees and their families you will be making an extraordinary contribution, both to those who buy the bonds and to the nation which will benefit from this off-market financing in waging the war against inflation and restoring American productivity gains.

Those of us in the Treasury welcome the opportunity to work with you. We thank you and stand ready to help you in every way possible in our common effort.

Thank you very much.



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