

A TIME OF OPPORTUNITY, A TIME OF DANGER

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AT THE CONFERENCE
THE ECONOMY OF 1981: A BIPARTISAN LOOK
THE SENATE CAUCUS ROOM
WASHINGTON, D.C.

December 10, 1980

This is an historic event. Never before, to my knowledge, have a group of leaders of government, labor, business, academia and environmental and consumer groups sat down together to discuss policy options and recommendations for presentation to a new Administration.

I would like to express my gratitude, which I am sure all of you share, to the sponsors of this conference and especially to Senator Bentsen and the Joint Economic Committee of Congress for taking the leadership in planning this gathering.

The timing of this conference could hardly be better. Our nation's poor economic performance during the Seventies is a matter of record, as these all-too-familiar statistics illustrate:

- Our annual economic growth rate fell a full point from that of the Sixties. It was 3.8 per cent in the 1960s and 2.8 per cent in the 1970s.
- Consumer price inflation more than quadrupled in the last decade, from a rate of 1.8 per cent a year in the 1960s to 7.6 per cent in the last 10 years. It has been in the double digits recently.
- Our annual productivity growth rate for the

Seventies was less than half that of the Sixties --
dropping to 1.2 per cent in the last decade from 2.9 per cent in the Sixties. And in the last two years, total productivity actually declined in this country.

- Our share of free world exports has declined substantially, from 18 per cent in 1960 and 15 per cent in 1970 to 12 per cent this year.

- Of the eight major industrial nations, the United States ranked last in average annual per cent increase in savings during the 1970-1978 period.

- During the same period, the U.S. also ranked last in business capital expenditures as a percentage of GNP.

- We created almost two million jobs a year since 1970, which was quite an accomplishment, yet at the same time our unemployment rate was climbing, from an annual average rate of 4.8 per cent for the Sixties to 7 per cent the last five years.

- Finally, the typical real U.S. wage has been trending downward since 1973, and the biggest drop occurred during the last two years. In purchasing power, the typical American worker's wages in 1980 are no higher than they were in 1962 and are almost 15 per cent less than they were in 1972 and 1973.

And what's even more discouraging, we face a new decade with no evidence of any real improvement in the unfavorable trends.

Our poor performance has serious economic and

human implications. The American people understand the seriousness of the situation, as we have found out in two public opinion surveys commissioned this year by the New York Stock Exchange. The most recent poll was taken three weeks ago. Here are a few of the key findings:

- The American people understand the problems we face are severe. Sixty-one per cent say this is a genuine crisis and not just a situation involving some minor problems. In fact, more than half of the respondents think the nation is likely to suffer a 1930s-type depression in the next two or three years.

- The people are feeling the effects of our economic problems personally. More than 80 per cent say inflation has cut their buying power during the last year, and two-thirds feel their income is increasing more slowly than prices.

- The public expects major changes to be made by the new Administration and Congress, and it is willing to give new policies a chance to work. Fifty-four per cent expect major changes in economic policy. The Administration's new economic policies should be given three or more years to work before we can expect results, 64 per cent say. And, significantly, 93 per cent of the respondents say that, since nothing else has seemed to work, they are willing to see the new President try new policies even if they don't agree with the policies themselves.

- The public sees no overnight improvement,

and in fact expects the economic situation will get worse in the next year. Fully 48 per cent of Americans say that inflation will actually increase in the next year, while 34 per cent say it will remain the same and only 16 per cent say it will decrease. Thirty-one per cent of the respondents say they think unemployment will increase next year, while 44 per cent say it will remain the same and 22 per cent say it will decrease.

• The people know that solutions to our problems will take a long time. Of the 61 per cent who say we face a real economic crisis, three-fifths say it will last three years or more, 22 per cent say it will last more than five years, and only 8 per cent say it will be over in a year. Looking ahead, 67 per cent of Americans say it will take three or more years to reduce inflation to 5 per cent a year. Sixty-five per cent say it will take three or more years to reduce unemployment to 5 per cent. And 57 per cent say they believe it will take three or more years to balance the budget.

• Interestingly, Americans indicate a willingness to suffer short-term hardships if they can achieve long-term economic benefits. Seventy-seven per cent of the respondents say they are willing to accept a higher rate of inflation for a year if that means a stronger economy in the long run. Eighty-three per cent say they are willing to accept almost any program that has a chance of reducing inflation -- even if it makes things difficult for the short haul.

To sum up the survey findings, we see the public is more sophisticated than might have been thought. While the people do not expect the nation's economic problems to be solved overnight, they want and expect major change and they expect to see significant, positive change within a reasonable timeframe.

This, then, is a time of opportunity for those in leadership roles -- a time for the development of a new economic strategy and the necessary policies for implementing it. It is a time when new strategies and policies may be accepted with considerable public understanding and forbearance.

Others have observed that this is a period of difficult problems. As the report of the Commission on Critical Choices for Americans said in 1976,

"...institutions and values which have accounted for our astounding progress during the past two centuries are straining to cope with the massive problems of the current era. The increase in the tempo of change and the vastness and complexity of the wholly new situations which are evolving with accelerated change, create a widespread sense that our political and social system has serious inadequacies.

"We can no longer continue to operate on the basis of reacting to crisis, counting on crash programs and expenditure of huge sums of money to solve our problems. We have got to understand

and project present trends, to take command of the forces that are emerging, to extend our freedom and well-being as citizens and the future of other nations and peoples in the world."

The difficulties in taking command of the forces that are emerging must not be minimized.

Our society is highly fragmented, for example. The traditional political power centers -- the political parties and the chairmen of the Congressional committees, for instance -- have seen their power erode. The old-time party loyalty and discipline, the cement that helped to get agreement on policies and programs, has been greatly weakened.

Adding to the fragmentation of our society is the rapid growth of single-issue constituencies with skill in gaining acceptance for their views through effective use of the media. In describing the fragmentation, I do not mean to judge it. Whether it is good or bad, it is a fact of life.

Another difficulty is the dangerous erosion of our competitive position in the world, threatening both our economic health and our national security. Foreign competition is more severe than ever before. Our domestic corporations must compete against companies that are more competent and more aggressive today and that often have their governments as allies and partners for both financial and research resources.

Perhaps our most difficult task is settling on

an overall strategy to begin with. There are, however, a few basic goals that I think we all can agree on that can help us shape a viable strategy.

One is the recognition that the individual is more than merely an economic being. Economic benefits alone will not fulfill people's hopes; they want a higher quality of life. As the preface of the Report on Critical Choices for Americans said,

"Concern for the quality of life for all Americans has reached a new level of awareness in this country. The comfortable belief has all but disappeared that with enough legislation and enough money, quality could become a reality for everyone. Americans, and particularly young people, are looking beyond the 'standard of living' as the measurement of quality -- they are searching for new meaning, new self-realization and new purpose in their lives.

"There is no GNP for quality of life, for individuals or for a society. Quality in one person's life can be, and often is, meaningless in another's. While we can and do measure the objective areas of quality of life -- per capita income, level of education, employment status, health care, housing -- the subjective elements of quality of life -- the values, the attitudes, the philosophies by which we perceive quality -- are much more elusive. We pursue it in very

different ways."

In that same report, Senator Moynihan, then a professor at Harvard University, posed two questions that I think can help focus our discussion on the most important choices we face. "There are only two critical choices affecting the quality of life," he wrote. "The first is, How much growth do we want; the second, How much government do we want."

Real economic growth has provided the basis for our present standard of living. Unless we want to risk a further decline in our quality of life, we must accept at least some economic growth. And an acceleration of the rate of real economic growth is the only way we can provide the 15 million new jobs we need in this decade.

A national consensus on a goal of real economic growth would provide the broad policy base for the formulation of specific implementing strategies. We must have policies that create additional, new wealth rather than policies that merely redistribute the existing store of wealth. To do otherwise would create unmanageable social conflict and tear our society apart as each group tries to improve its economic position at the expense of all other groups.

Trying to answer the second of Senator Moynihan's questions, how much government do we want?, requires us, because we have a mixed economy, to think through not only the appropriate role for government but also the role of the private sector and the relationship between the two.

Government's role, in addition to its normal

responsibilities of establishing and enforcing necessary laws and regulations, should have a responsibility to provide a total environment which enables the private sector to make its maximum contribution to the economic strength of our nation and the quality of life of our people. Operating in the right environment, management and labor jointly determine, to a large extent, the productivity and thus the contribution of the private sector.

We can see some examples of corporations that have good productivity increases. They seem to have common characteristics. Their managements establish priorities for healthy, long-term growth. They allocate significant resources for research and development, for capital investment and for people development. Their management style is based on respect for the individual and on the belief that the individual worker can make a contribution for improvement of work arrangements. The net result is increased job satisfaction for the worker, a climate of growth for people, and more innovation, resulting in higher productivity.

Our complex problems will not yield to a compartmentalized approach by government or the private sector. New and additional ways to cooperate, to work together for the common good, must be found. Our survey shows that the American people want such cooperation. Eighty-seven per cent of the respondents say there has been too little cooperation among business, labor and

government, and 83 per cent believe closer cooperation should be a higher priority for the next few years.

The American people are saying to all of their leaders -- government, business, labor, environmentalists, consumer groups: Put aside your parochial differences, identify the crucial policies necessary for healthy growth and work together to make a higher quality of life a reality. You can and must work together to marshal our nation's abundant resources -- human, natural, physical and technical -- to bring this about.

One of the greatest deficiencies today is in the development of our most important asset -- our human resources. A dramatic example, of course, is the number of employable people who don't have jobs. Less dramatic, but very important, is the failure to match the requirements of jobs with knowledge and skills of people. Young people are entering our workforce today ill-prepared for today's jobs -- let alone tomorrow's jobs. We are at the beginning of a technological revolution which is driving a major change in job content and the skill requirements to fill the more technical jobs.

If we are to improve the development of our human resources and train our young people properly, government, business and labor must work together closely with our educational institutions.

This is but one example of the crying need for cooperation.

The fragmented nature of our society and the

nature of our political process combine to create a demand for an extraordinarily high level of leadership. How many times have we heard the comment, "It's a sound idea but it's not politically do-able"?

Effective leadership today calls for the ability to organize coalitions, to develop consensus and to communicate effectively.

There are, in fact, some encouraging signs of consensus-building. The bipartisan reports of the Joint Economic Committee, with their emphasis on the need for policies that would encourage savings, investment and job creation, are evidence that consensus-building is possible. In addition, the Conference on U.S. Competitiveness at Harvard last April and this conference, among others, represent encouraging signs of cooperation.

The American people in our survey say they are willing to give new economic policies a chance to work, perhaps as long as three or four years. In reality, the length of time will depend on their level of understanding of the new policies and programs and the extent to which they perceive benefits will be derived from them.

In today's world, effective communication by the President is essential if the people are to understand our problems and the status of our progress and thus have a basis for evaluating fairly the policies and programs. The corporate world has found it desirable to supplement the annual report with quarterly and interim reports to try to keep its constituencies adequately informed.

Perhaps consideration should be given to supplementing the State of the Union Address and press conferences with more frequent, perhaps quarterly, progress reports to the American people.

This is a time of opportunity for leaders in business, government, labor and other areas, a time when the American people will accept strong economic measures and will endure short-term difficulties looking for fundamental solutions.

This is the time for all leaders to find effective ways for their constituencies to work together. The adversarial tone and mutual distrust that still mark those relationships must give way to a higher level of trust and cooperative action. Only then can we begin to reverse the recent unfavorable trends. Only then can we begin our journey on the high road that will help all of our people achieve a better quality of life, both material and non-material. And only with a new higher level of cooperation among our major constituencies will we be in a position to effectively discharge our responsibilities as a world leader.

In addition to a change in attitude, we must make a commitment to work together, institutionalizing, if possible, that commitment through various means.

Yet this is also a time of danger. One clear implication of the survey results is that the American people perceive a failure of leadership in all sectors of our economy. Unless we take advantage of the present

window of opportunity to make some strong moves to change our economic direction, increasing public cynicism and distrust can pose a serious threat to the continuance of our political and economic system.

This is the challenge we face now.

Poor economic performance for a decade, a deep and pervasive concern in the public about our economic results and direction, plus the expressed forbearance of the American people in accepting long-term solutions, make this a time of unique opportunity.

As leaders, we cannot hesitate.

Nobody knows how many more windows of opportunity American leaders will have.

We must act now.

We dare not wait.

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