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"IF NOT WE, THEN WHO?"

An Address by

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NOTE: This is the final draft of Chairman Williams' remarks. Although this draft may be quoted, the Chairman might have made minor revisions during his oral presentation. These alterations, if any, will be reflected in the printed text of the speech which will be available from the Commission's Publications Unit in the near future.

I am delighted to participate in honoring John Sutro, who has uncompromisingly dedicated his unlimited talents and energies to the furtherance of justice, brotherhood and humanitarianism. Liberty, I have come to appreciate, is the reward all of society harvests from the selflessness and sacrifice of a special breed -- and John Sutro stands at the forefront of its ranks.

But, history reveals that even a nation with sons and daughters of such ideals cannot maintain a libertarian character in the face of economic chaos. A strong and stable economy is the soil in which liberty must be rooted. Only a nation's economic engine can generate the growing productivity and real wealth that it needs to satisfy our aspirations and ideals -- both personal and societal.

In contrast, a country which is buffeted by storms of economic instability becomes weakened in every sense. For example, the foremost prerequisite to a strong defense and a vital international presence is a stable economy. Very early in the inflationary cycle, the economically unstable nation is robbed of a substantial portion of its powers and prestige on the world scene. Planning and paying for sophisticated and costly defense systems becomes increasingly more difficult. And, there is a diminished ability to generate the foreign aid and cooperative programs that are necessary elements to maintaining international influence. Further, when a nation becomes economically weak, the commercial links and the commonality of interests which develop and maintain alliances often fall victim to short-sighted protectionism.

And, as inflation advances, the nation's strength begins to erode from within. When a society lacks faith in the present --

and fears the future even more -- the glue that binds it together comes under severe strain. From the cracks and ruptures that appear in such a society, flow the forces of intolerance and hate. It is in this sort of nation where the ideals of a libertarian society are at greatest risk.

This evening, I will devote my address to a discussion of the ultimate economic instability that could befall a society: rampant inflation. Lest you fear a protracted lecture on "the dismal science," let me advise you that it will not be forthcoming. For inflation may be an economic phenomenon, but its proximate causes are more likely to be tied to political failings than to the workings of the marketplace -- and its ultimate consequences would fall within the disciplines of the sociologist or the social philosopher.

The Risks of Persistent Inflation

Let me begin by relating the essentially political causes of the worst instance -- when measured by the horrible forces which were unleashed -- of economic instability in human history. At most a generation away from the Holocaust, we are only two generations removed from the economic events which, to a substantial degree, were its genesis. Most economists and historians trace the rise of Nazism back to the oppressive peace terms which the victors of the First World War imposed upon its most prominent loser, Germany. The Treaty of Versailles -- in effect, an externally imposed political decision -- saddled Germany with debts which it could not possibly meet and dislocated much of the productive industries upon which Germany might have rebuilt its economic foundation. The scarcity of capital which resulted from

the Treaty's provisions triggered the cancer of rampant inflation in the Weimar Republic. By 1923, sending a local letter cost 100 billion marks in postage. A few gestures -- for example, the Dawes plan for restructuring reparations and a changing of the currency -- seemed to temporarily relieve the symptoms. But like a patient weakened by grave illness, when a further complication set in -- the onslaught of the Great Depression as the speculative bubble of the 1920's burst throughout the industrialized world -- the body and spirit of the republican German economy was unable to resist.

We learn from that experience how inflation robs a society of its productive mechanisms. The private sector finds that it cannot finance -- at prevailing high interest rates or from the shrinking purchasing power of retained earnings -- the costs of making its facilities more efficient or even of replacing the capacities consumed in production.

And, most importantly, the social consequences of inflation are also revealed. A weakened business sector means less real wealth, fewer jobs and less production. As instability increases, society becomes less confident, less tolerant, and more motivated by fear and base personal survival instincts.

What is so unique -- and so frightening -- about economic instability is its very incomprehensibility. After all, even in an inflationary society, the worker is willing to work, the farmer to supply food, and the industrialist to produce. Each only wants to "keep up" and not pay a penalty for the failings of others. Every person becomes a victim of inflation's evils, but none will take responsibility for its cause.

The result of suffering tangible harms from intangible forces is a search for the "they" -- those to whom society has supposedly

fallen victim -- and a belief that the "they" must be disciplined.

The "they" is inevitably those who can be separated from the rest of us -- by race, religion, occupation or social status.

And, when fear leads to despair, confidence in society's legitimate institutions is lost in a rising tide of public ills. A noted economist, John Kenneth Galbraith, has observed, "Nothing so weakens government as persistent inflation." As a society's fabric falls apart, its desperate people become willing to embrace the irrational as a miracle cure -- and society thereby becomes susceptible to the man on a white horse -- even if the man on a white horse has a black heart. In the Germany of the 1930's, for example, the world witnessed the culture which produced the genius of Beethoven and Durer succumbing to the evil illogic of Hitler and his cohorts.

The American Condition

During this decade, for the first time in the American peacetime experience, persistent inflation has become an unwelcome -- and seemingly permanent -- part of our lives, and few are immune from its consequences. We have not, fortunately, experienced the vicious hyperinflationary rates of post-World War I Germany; but hyperinflation differs from the American condition only in degree -- and not necessarily in structure.

Above all, we must keep in mind that once the inflationary spiral exists, the speed at which it adds cycles and momentum is not subject to ready control. And, lulls in its growth -- or even the appearance of its regression -- may be only a temporary condition. The fires of inflation, like all combustion, are not safely out until they are dead out.

My fervent hope is that, before we get to the point where the public looks for whichever "theys" -- the scapegoats --

upon which it might lay the blame for economic instability, we all recognize that it is the public itself -- society in aggregate -- which is its cause. Unlike the experience of the Weimar Republic, the political decisions that have generated American inflation have been internally made and not externally imposed. The responsibility, therefore, is ours alone; but that also means that we have the ability to change course. Inflation exists because we have allowed it to exist. As a people, we need to make the political decision that inflation will not be tolerated as a way of life -- and as a threat to our way of life. That, in turn, means the foresight and courage to now bear the costs of extinguishing inflation and thereby avoid the possibility of incurring a societal nightmare in the future.

What we must do is to impose a discipline over the process by which we respond to the demands of the society's many

components and interests. Our societal aspirations have outraced our abilities to satisfy them. We are being compressed between competing claims and goals, each of which could be achieved individually, but not all of which can be attained at once without adversely impacting the health of both our society at large and the private enterprise system. What our priorities should be, where our scarce resources should be applied, and what systems impacts we can accept are questions which are seldom explicitly addressed. The result is often the adoption of ill-advised "solutions" to perceived social problems which reflect political expediency and compromise rather than reasoned judgments about society's overall needs and capacities.

Indeed, too often the human tendency towards shortsightedness and parochialism feeds on, and amplifies, the electoral process. Officials whose tenure and need to stand for reelection are measured in short spans of time can become, as a consequence, unduely myopic in their perspective. Short terms of office -- intended to avoid an entrenched ruling class -- have been corrupted into a form of sanctioned bribery. Our modern political machine apparently lacks the ability to say "no" to the demands of its constituents -- and, in particular, single issue groups who finance election campaigns or claim to have sway over particular groups of voters.

Under this system, as political decisionmakers perceive their own interests, programs which have immediate visability are to be supported even if they lack long-term utility, and programs for which the costs can be deferred to the future are even the more

attractive. It is a process which thereby institutionalizes the fuel that feeds inflation's fires.

. Yet, avoiding the costs -- or even the risks -- of the instant may not accord with the best interests of a society over time. The challenge of the democratic process is to harmonize the differing -- and sometimes conflicting -- demands and obligations of society's components for the betterment of all -- and then to have the courage to act accordingly. The central bankers of hyperinflationary Germany, it should be remembered, often made stern efforts to restrain the money supply, but every time they attempted stabilization they were beset by concerns for unemployment and of bankruptcies and the basic fear of a leftist takeover. It is sadly ironic that in their efforts to frustrate a Communist revolution they seemed unaware of Nikolai Lenin's maxim that the best way to destroy a government is to debauch its currency.

Controlling Inflation

Much of the talk today about how to control inflation involves criticism of government fiscal policy, particularly regarding the need to balance the budget, and to eliminate governmental waste and the unnecessary regulatory burden. Much of this criticism is very well placed, but it points the blame too narrowly -- only at government -- and it absolves the central culprit -- each of us. While government may, to some extent, take on a life of its own and a purpose of its own, it is in most instances and over any period of time responsive to the wishes of its constituencies.

Patterns of deficient financing capital formation, labor productivity and historically extravagant monetary policy may help us to explain temporary variations in the inflation rate, or guide us in formulating a forecast. However, in some

respects, this approach begs the basic question. These economic developments are no more the basic cause of inflation than fire is the prime cause of arson.

Those factors are merely symptoms of the ultimate problem, which is that our system currently facilitates excessive demands, by all segments of our society, on limited resources. Historically, rising expectations have been intrinsic and inherent to our society. But now, moderating -- even reducing -- the rate at which we undertake to satisfy them is rapidly becoming a practical necessity -- if not a political reality.

Therefore, the most significant dimension to the inflation problem and to its solution is the commitment of the American people -- or perhaps the lack thereof. Some commentators point to an increasing mood of apathy and skepticism among large numbers of Americans -- and cite as evidence the fact that fewer and fewer Americans are exercising their voting rights. In the

past, we have been able to recognize individuality and yet arrive at consensus. Today, respect for the individual has, in many ways, been perverted. The interest of the individual and self-interest groups are placed above those of the larger society. Elected leaders are faced by demands for more problems and services and at the same time for less government interference and lower taxes. It is time that the citizenry began to demonstrate their own duties and obligations as well as to express their demands. Although I would not argue with any citizen's right to petition his government, I take some exception to the growth of special-interest lobbies and how this has tilted our economy towards perpetual inflation.

There are those who urge the use of tariffs and quotas to protect certain inefficient domestic producers from foreign competition. There are those who urge the use of higher

minimum wages to provide levels of income to certain groups in society with limited or obsolete skills. Farmers can come to Washington and attempt to redistribute income in their favor by seeking higher levels of subsidies from the Congress.

Large companies and big cities in financial distress can virtually appropriate portions of the federal purse. Public employees can extract higher wages through wildcat strikes and work stoppages of critical services. Self-appointed advocates, in the name of consumers, can suggest that a particular product is carcinogenic, unsafe or "ineffective" and impose compliance and other costs on all consumers -- and the list goes on and on. But as you know, unless there are productivity gains elsewhere in the economic system, producing an economic surplus to pay for these demands, we are caught in the middle of government -- or people -- generated inflation.

If there is a growing consensus that our rate of inflation must be substantially reduced, then the questions which remain are not only how do we get from here to there, but also who is going to pay for the trip? The answer to this latter question is "you are." If we want to get at the root causes of inflation, we are going to have to recognize that we are collectively taking more out of this system than we are putting into it; that we each contribute to the problem -- it is not "the other guy" -- it all of us; and that each of us, therefore, holds within his or her hands a piece of the solution. Stated bluntly, if we are to have less inflation, we must, individually and collectively, choose less inflation and choose it over other desires, and make our choices clear in the marketplace and to our government.

We need, therefore, to develop a broad public constituency that demands an end to inflation and that will call for and support strong leadership and accept personal sacrifice in order to regain our economic equilibrium and well-being. We need to build a consensus that, until we are again earning our way, we will cut back. And, we need to establish rational economic priorities. Our political decisionmaking must give greatest emphasis to those investments and economic decisions which best advance the economic strength and competitive posture of our productive resources. And, business's role as the keystone of our economic base must be acknowledged and supported. We no longer can cavalierly draw from its well without injuring the very essence of our national well-being.

But, a national willingness to sacrifice is an inherently unstable consensus. It endures only so long as its burdens and benefits are perceived as equitably applied. If a substantial element of the public believes that the costs of achieving economic discipline would fall unduly on their shoulders -- or would exclusively benefit others -- then any potential spirit of unity and common purpose would likely dissolve. The necessary touchstone of any viable anti-inflationary program, therefore, must be a democratic character.

The ADL's Role

What do the concerns that I have addressed this evening mean to an organization, such as the Anti-Defamation League, which has stood for, and fought for, the ideals of a libertarian and just society? The ADL has a long and distinguished history of vigilance in protecting society from the sinister forces which can infect it. In this spirit, we in the ADL must recognize

that to tolerate persistent inflation is to risk unleashing --
and giving credence to -- this sort of evil. We must not wait
until societal strains ripen into hatreds. It is far better to
face this problem now -- while controlling its economic symptoms
is still within our ability and its social ramifications have
not yet fully developed -- than the harder and more costly fight
that may later arise.

I would suggest, therefore, that as an organization working
towards a humanitarian society, the ADL has a critical stake in
the fight against inflation -- and we, in turn, must contribute
our unrestrained support to those efforts. Indeed, with its
dedication to national values rather than to parochial interests,
the ADL should be in the forefront of the struggle.

Conclusion

In conclusion, these are times that call for us to make vital choices; to understand the fundamental problems we face and not become sidetracked by the simplistic or extraneous; to examine the values we hold as individuals and a people; and to encourage the political process and our elected officials to take the actions they believe necessary to curb inflation.

My view is that we can -- and we must -- restore our economic health in a manner which does not ignore our unique humanitarian spirit -- indeed, which over time will allow us to better manifest it. But, it is a challenge that cannot be met unless men and women of goodwill and brotherhood take up the banner and accept sacrifices for a stable, just and tolerant society. I believe that the ADL should play a leadership role in this effort. For, to paraphrase the great teacher Hillel: If not we, then who?