

EXCERPTS

From Summer Quarter Commencement Address

By Alan K. Campbell

Director, U.S. Office of Personnel Management

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... Nearly every commencement speaker emphasizes the problems of the times in which the speech takes place, the need to move ahead, to solve those problems, and I would like to at least comment briefly in that same vein, not suggesting however, that the problems that we face are substantially greater or more intractable than those addressed by previous commencement speakers -- whether one looks to the Depression of the '30's, the winning of World War II, the societal divisions produced by McCarthyism, the societal upheavals of the 1960's, resulting from demands for justice through the civil rights movement, the women's movement, the divisions of the country caused by Vietnam the constitutional challenges of Watergate.

If one looks back over not all that many years, for many of us, we have indeed faced or been beset by a very wide range of different kinds of problems -- problems demanding of course solutions related to them.

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I think the issue to which we may well appropriately address ourselves today is whether our problems are different and if they are different, why are they and what does it suggest relative to the character of public policy which should be undertaken to deal with them?

I would argue that there are some differences, and that they do indeed give a unique set of characteristics to our time and our problems and of particular relevance to those of you today who are winning undergraduate and graduate degrees with subject matter content that is directly related to many of those problems, imposing upon you a particular set of obligations in the use of the education which you have earned and gained.

What are some of these differences? First, I would say that we are probably less understanding of underlying causation of the problems than we have been, at least since the 1930's.

If one examines it in relation to the economic character of the problems, I think the economists among you would agree that Keynes no longer has the relevance that he once had ... you have an economy characterized simultaneously by high inflation and threatened recession.

Secondly, I would suggest that the character of the problems have about them a time dimension in terms of solution that rules out any quick fixes.

May I say that one of the major weaknesses of our political institutions is being able to stay for the long pull, to stick to policies until they've had a chance to work themselves out. I would say this is particularly characteristic of the difficulties that face us in the energy field.

Even if we understood underlying causation, solutions are not self-evident. If you don't have an economic theory that is relevant, from what do you draw for the kinds of policy direction that will make sense in relationship to solving that problem?

And even if we understood causation and had some significant ideas as to what the solutions might be, I would suggest to you that our policy-making institutions, at all levels of government and within all institutions in society as they relate to the making of public policy, are today fragmented and almost immobilized.

Let me if I may try to put a little meat on the bones of these generalizations by looking at a specific characteristic of our current society and economy, a characteristic which I believe is related to practically all our other domestic concerns, and one which we do not have any quick fixes for or any agreement on underlying causation and therefore no agreement on what policy solutions might be. And it is not a

glamorous or a dramatic or a sexy kind of issue. It is a very mundane issue. It relates to the fact that the productivity of our economy during the last decade has been in gradual decline to where the latest figures show productivity measured by output per man hour has in fact declined. We are producing less per worker than we did at the same time last year.

In the 1950s there was a steady economic growth of approximately $3\frac{1}{2}$ percent a year. That went down to 3, to 2, $2\frac{1}{2}$, to $1\frac{1}{2}$, last year to .8 of one percent -- small percentage numbers, but let me suggest to you the kind of significance they have. If we'd had the same kind of economic growth in terms of productivity during the last decade as we have had in the previous decade, every household in this country would have today an additional income of \$3,800. Since the average household income is \$15,000, we're saying that they would have 25 or 30 percent more.

If we had grown during the past decade as rapidly as Japan has grown, instead of a \$15,000-per-year household income, the average household income in the United States would be \$25,000 a year.

We're not talking small amounts; we're talking major amounts because of their cumulative impact. The gross national product would be over \$200 billion more than it now is. Revenues for the federal government at current tax rates would be \$50 billion more -- that is a \$50 billion that could be used to undertake new social programs, could be used

to reduce the \$20 billion deficit, could have been used to reduce tax rates in order to induce greater economic growth.

It also I believe adds to the political climate in which we live, because if you are trying to deal with social problems, it is much easier to use the growth increment of society to do that. The politics of it is much easier than if what you try to do is redistribute what people already have.

Further, related for a moment to the rising cost of energy, if you have rising economic growth, that rising cost can be absorbed in the growth of your income. If not, the additional money that must be spent on energy must be taken from something else, which impacts the rest of the economy. Our problem is that we don't know why there has been a decline in the rate of growth of economic activity.

There are some who suggest the decline in capital investment. Others suggest that it is due to the large numbers ... entering the labor force. We have had a huge bulge in the flow of people into the labor force ... That increase means that there are a lot of inexperienced people in the labor market. If that is one of the causes, then time will tend to help solve it.

Government regulation has been looked to as one of the possible causes because of the cost it imposes. Those are generally economic explanations. There are simultaneously explanations offered by the sociologist which relate to the

decline in the popularity of the work ethic and what that is doing ...

... Obviously there is a direct relationship between this issue and inflation because if there is not an increase in productivity while simultaneously there are increases in pay, which are justified by those who demand them as a result of the inflation, and if those pay increases are granted and there is no increase in productivity, there's only one place that increased cost can go, and that's to increased prices.

So there is here a set in interrelated characteristics of the economy and the society which it is necessary to take apart and look at their individual components but then to try to attack them simultaneously with a set of policies which are relevant to those components.

It is not easy to do, and in fact, the general tendency is for any suggestion to be suddenly rejected on the basis of self-interest or on another kind of causation analysis ...

... I would ask you, if you were to put together a set of programs that were relevant to the kinds of problems that I have very briefly and in a skeleton way outlined, would you not agree that component parts of that package should include fiscal restraint, that is an effort to hold down public expenditures, thereby leading to a more balanced fiscal situation at the federal level? Would you not agree that there was a need for a strong energy conservation program while simultaneously undertaking an effort to deal with production

issues and to find a way of getting trade-offs between increased energy production and protecting the environment? That is going to be one of the issues that face us all over the course of the next decade.

Would you not agree that it would be worthwhile to take a hard look at the regulatory system of the federal government to determine if it is not possible to reduce some of the onerous character and the costs that they impose on the private sector?

Would you not agree that improving managerial efficiency and effectiveness -- an area in which my time has been primarily spent -- is relevant not only to improving performance of the federal government as it relates to the private sector? But in and of itself, government today is a third of this economy. If it is not productive, I do not know how we can expect the rest of the economy to make up for that lack.

And would you not try and deal with inflation by something short of mandatory wage and price controls and all their distortions while simultaneously attempting to do something about those increases? And would that not lead you to try to make work voluntary wage and price controls?

Obviously what I have laid out is the character of this administration's program. And I would suggest to you that our problem is not the inadequacy of that program but the inability of our policy-making institutions to respond to it in ways which will cause it to be tried.

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I need not talk about the fragmentation of political leadership, whether at the party level or the congressional level because it is well known to you. Our problem is that we are not yet willing to make those kinds of compromises and trade-offs which the character of the problems we face requires.

I think we may be reaching the point where we are willing, and I would conclude by simply saying that I do not believe there is any academic discipline, or any practical training program, regardless of field, which does not have a contribution to make to one or another aspect of the character of these problems that face us at this time.

Be you engineer, be you physicist, be you educator, be you manager -- there is a relevance of that. And may I say that one of my disappointments in my experience in Washington is that the academic community has not been as innovative, has not been as ready with suggestions, has not been taking the kind of intellectual leadership role which I believe is more needed now than any other kind of role because of the character of these problems.

I know that those of you here have the kind of training which will make it possible for you to make that kind of contribution. And may I say that as one who believes there is no more noble purpose in this world than that of intellectual excellence as pursued by our universities, that it is my hope that you will turn yourself to these issues, and be you in the private sector or in the public sector, an active participant in

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the debate about them and making the kind of contribution which only the people trained as you have been are capable of making.

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