

dangerous and ruthless men—Saddam Hussein and Slobodan Milosevic. Both have been prepared to wage vicious campaigns against sections of their own community. As a result of these destructive policies both have brought calamity on their own peoples. Instead of enjoying its oil wealth Iraq has been reduced to poverty, with political life stultified through fear. Milosevic took over a substantial, ethnically diverse state, well placed to take advantage of new economic opportunities. His drive for ethnic concentration has left him with something much smaller, a ruined economy and soon a totally winded military machine. One of the reasons why it is now so important to win the conflict is to ensure that others do not make the same mistake in the future. That in itself will be a major step to ensuring that the next decade and the next century will not be as difficult as the past. If NATO fails in Kosovo, the next dictator to be threatened with military force may well not believe our resolve to carry the threat through.

“At the end of the century, the U.S. has emerged as by far the strongest state. It has no dreams of world conquest and is not seeking colonies. If anything, Americans are too ready to see no need to get involved in the affairs of the rest of the world. America’s allies are always both relieved and gratified by its continuing readiness to shoulder burdens and responsibilities that come with its sole superpower status. We understand that this is something that we have no right to take for granted, and must match with our own efforts...

“You are the most powerful country in the world, and the richest. You are a great nation. You have so much to give and to teach the world; and I know you would say, in all modesty, a little to learn from it, too. It must be difficult and occasionally irritating to find yourselves the recipient of every demand, to be called upon in every crisis, to be expected always and everywhere to do what needs to be done. The cry, ‘What’s it got to do with us?’ must be regularly heard on the lips of your people and be the staple of many a politician running for office.

“Yet, as with the parable of the individuals and the

talents, so those nations which have the power, have the responsibility. We need you engaged. We need the dialogue with you. Europe over time will become stronger and stronger, but its time is some way off.

“I say to you: never fall again for the doctrine of isolationism. The world cannot afford it. Stay a country, outward-looking, with the vision and the imagination that is in your nature. And realize that in Britain you have a friend and an ally that will stand with you, work with you, fashion with you the design of a future built on peace and prosperity for all, which is the only dream that makes humanity worth preserving.”

**John H. Bryan:
Sara Lee and the Economy**

John H. Bryan, chairman and CEO of Sara Lee Corporation, had been a member of The Economic Club of Chicago for 26 years when he offered his reflections on being a CEO and on the economy to The Economic Club on February 29, 2000.



“It is for certain that the United States is at a rather triumphal moment. Economic growth and productivity are soaring and consumer confidence is extremely high. Why is this? The reason I heard most recently is this phenomenon called the ‘information technology supply shock’. I guess that is the reverse of an oil shock. Another reason, some say, is that consumers are spending their stock market gains creating an unusually high demand for goods and services. I am sure that the U.S. budget surplus and advancing globalization are also contributors to today’s prosperity. At any rate, the U.S. economy has never been rosier.

“Interestingly, no economist predicted today’s boom, and there is no economist anywhere

predicting that this prosperity will soon come to an end. But, there is a lot of nervousness. The lesser worry is about inflation, for some commodity prices are rising and the demand for labor is extremely high these days. The greater worry among policy makers is about what is called 'speculative excess.' Last week, I heard Treasury Secretary Summers say, paraphrasing an earlier statesman, that 'what we fear most is the lack of fear.'

"The concern is that we are creating a stock market bubble, particularly with 'new age' companies, which are at lofty price levels and are absorbing vast amounts of equity capital. I would remind you that the supply of these stocks is limited, because they are closely held. Only a small portion of their outstanding shares are traded. The demand for these stocks is, however, very strong – for they are especially attractive to day traders, or what The Economist magazine calls 'casino capitalists,' who, they say, are unskilled in the art of valuation and unburned by past losses.

"It is presumed that the shareholders of these companies are borrowing against their stock market gains, and thus, fueling economic growth with the purchase of homes and consumer durables. We do know that American consumers are saving virtually none of their earnings today. And so, when the bubble bursts, these companies, many of whom have little or no profitability (by the way, over 90 percent of internet companies lost money in 1999) these companies will implode and will have no source of capital – and their shareholders will stop spending, and the economy will falter.

"Ironically, attempts to cool the seemingly irrational valuation of 'new economy' stocks has, thus far, only depressed the market for the 'old economy' stocks. And so, we have a seriously bifurcated stock market, in which the mania for tech stocks is being fed by dismissing and withdrawing funds from sound, profitable, blue-chip companies.

"Well, what do I think is the consequence of all of this? Forecasting our economic future is more hazardous than ever, especially with the new dynamics at work in our economy. However, I seriously doubt that we have reversed economic laws, and I know that human psychology has always created speculative excess. We did just that in real estate about 10 years ago. So, I believe, there will be a correction, and that market correction could well end this record-setting U.S. business expansion.

"Long term, however, I am very bullish on the U.S. economy, with budget surpluses and relatively low taxes and interest rates. Our fiscal policies are in good shape and provide considerable flexibility for management of our economy. Furthermore, our economy will continue to be stimulated by all of the innovation and excitement surrounding American technological superiority in information and communication.

"And, as a footnote to that point, please do not dismiss us, the larger established and traditional companies, in this new age. I suspect that over the long term, we have more strengths—like brands and logistical skills—strengths that will let us take advantage of new technology even better than do most of today's high flying upstarts. Driving cars, eating food and wearing clothes will still be with us for ages to come.

"Turning to the world economy, the big story, of course, is still globalization. In our time, the world has opened up for business. Nation-states are integrating their economies everywhere, and a turn has been made to the capitalistic way. Thereby, the world has asked us merchants and business people to do what the bureaucrats and autocrats failed so miserably to do throughout most of the 20th century. Globalization is the world's greatest opportunity for economic advancement and for achieving a more peaceful existence for people everywhere.

"For the United States, it is especially positive—for my friends, the world is actually converging to

the American way of doing business, with English as the language of the new world order. American-style business practices are rapidly moving throughout all the Americas. In Europe, where they are creating a United States of Europe, leaders say they do not want American-style capitalism, but globalization is giving it to them anyway...

“There are among us these days plenty of reactionary forces determined to at least curb globalization. We saw that in the Seattle riots and in the demonstrations in Davos, Switzerland at the World Economic Forum. The arguments most often used by opponents of free trade are that it will destroy the environment, it will cause abuses toward laborers, and it will create income disparity throughout the world.

“These are spurious arguments. Economically developed countries with open markets are not the ones that have polluted air in their cities, and they are not the countries that tolerate labor abuse. And countries with open markets, as you know, have dramatically higher incomes than those whose markets are closed. The price we pay for having an open and competitive market may be some income disparities, but that is surely better than no income at all.”

**Alan Greenspan:
The Nation’s Energy Future**

Alan Greenspan, chairman of the Federal Reserve Board, addressed The Economic Club of Chicago on June 28, 2001 on the nation’s use of energy and the prospects for the future.

“The short-term energy problems we are experiencing for gasoline, natural gas, and electric power will be resolved, one hopes, without any further adverse impact on our economy. Nonetheless, the developments of the past couple of years have brought renewed attention to the longer-run prospects for energy markets in the United States.

“In making any assessment of those prospects it is

important to recognize the extent to which market mechanisms have helped to overcome earlier apparent limitations on resources. Largely in response to past oil price increases, the energy intensity of the United States economy has been reduced by almost half from the levels of the early 1970s. Much of the energy displacement was accomplished by 1985, within a few years of the peak in the real prices of oil. Progress in reducing energy intensity has proceeded further since then but at a lessened pace. This more modest pace should not be surprising, given the generally lower level of real oil prices that has prevailed since 1985, and which carried over into natural gas and electric power prices.

“What has changed dramatically in recent years is the production side of the oil and gas markets, where technological changes are taking place that are likely to make existing energy reserves stretch further while keeping long-term energy costs lower than they otherwise would have been. The development of seismic techniques and satellite surveillance to discover promising new oil reservoirs has roughly doubled the drilling success rate for new-field wildcat wells during the past decade. New techniques facilitate far deeper drilling of promising pools, especially offshore. The newer recovery innovations reportedly have raised the proportion of oil reserves eventually brought to the surface from one-third to nearly one-half in recent decades.

“One might expect that, as a consequence of what has been a dramatic shift away from the hit-or-miss wildcat oil and gas exploration and developments of the past to more advanced technologies, the cost of developing new fields and, hence, the long-term marginal costs of new oil and gas would have declined. And indeed, those costs have declined, but by less than might otherwise have been the case; much of the innovation in oil development outside OPEC, for example, has been directed at overcoming an increasingly inhospitable and costly exploratory environment, the consequence of more than a century of draining the more immediately accessible sources of crude oil.