

## A Wise Investment

It has been suggested to me on several recent occasions that now must be a good time for a college president to be an economist. My first thought was of Larry Summers, an outstanding economist whose brief tenure as president of Harvard University ended unhappily. (We all wish him much greater success as the head of President Barack Obama's economic team.) I believe there are advantages to economic training for anyone in a leadership position, but forecasting is not one of them. Of course, I like to believe that my hunches about where the economy is headed are a bit more educated, but there is so much uncertainty now that the admonition about fools versus angels goes double. Indeed, my economic philosophy and experience cause me to doubt any consensus prediction. Most are extrapolations, whether they are based on complex econometric models, intuition or Ouija boards. On a recent morning I filled up the tank for \$1.75 per gallon. \$1.75 in California! As you listen to doomsday scenario forecasts, it is worth keeping in mind that just a few months ago "conventional wisdom" had oil topping \$200 per barrel. Those speculators who supposedly were driving up oil prices must not be faring too well. This summer most economic reporters were writing about the return of 1970s style stagflation—simultaneous high unemployment and high inflation. Now we are worrying about deflation!



So I will pass on making predictions; anyway, if I had any unique insight our endowment would be a lot larger now.

We now know that the national economy has been in recession for a year. The traditional cure for recession is to stimulate consumer spending. But the speed of recovery this time will depend less on household spending than on how flexible our economy is in transitioning to higher saving. Savings rates for the past two decades have been inordinately low—certainly insufficient to sustain the baby-boomers in retirement.

Rather than reduce spending, boomers have been relying on a bull market in stocks and housing values to fund retirement. That never added up in the long run. The economic correction that will set the stage for recovery is more fundamental than popping the bubbles in housing prices and stock values. Households must begin to set aside more in savings; and the recession will continue until our economy adjusts and is able to channel greater savings into expenditures for long-term investments.

This is a good thing for our national economy in the long run, but it does require the return to health of financial markets—the crucial link that moves funds from savers to investors. Thus restoring the health, confidence and stability of our financial markets, in my view, is the bottom line key to recovery.

As comedian Dennis Miller would say, "That's just my opinion—I could be wrong." But I hope not, because a high savings-investment scenario is good for the nation, higher education, the University of Redlands and all of us in the New American Colleges and

Universities. We will prosper in this environment if a college education is properly viewed as an investment—one that pays handsome pecuniary returns, if that's what motivates you, but also enhances quality of life and strengthens the fabric of society.

And, as we watch financial portfolios subject to wild daily gyrations, we are reminded that a personal investment in knowledge and skills is comparatively stable and safe.

Looking for a high-quality, low-risk investment? Treasury bills might be attractive right now, but finishing your degree or working toward a master's degree makes a lot more sense. Especially when you invest in an education that carries the reputation and prestige of our institutions. In the face of unprecedented economic uncertainty, the timing for investing in education is compelling. There has never been a better time.

Stuart Dorsey, President, University of Redlands