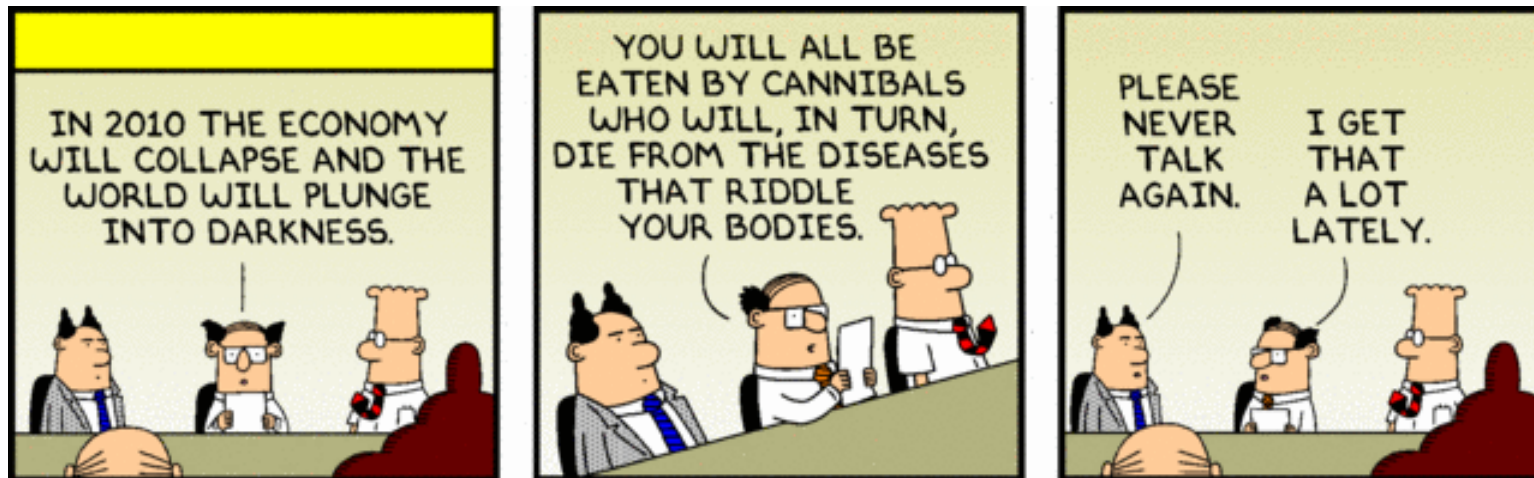


# Dr. Safir's Commencement Address to the Economics Graduates of the University of Colorado



Boulder, May 7, 2009

University of Colorado  
Economics Class Graduation Speech  
May 7, 2009

The Rational Exuberance of Recessionary Optimism

In preparation for this commencement address, I researched the general rules for these types of speeches. It turns out there are four. First, the speech must be short. No more than seven to ten minutes max. “They have the collective attention span of a gang of gnats”, remarked one source, “and you never want to overstay your welcome.” Well, ok, I can understand that. You are, after all, the “multi-tasking” generation, and I can see that at least some of you are already playing with your I-Phones.

The second rule is that the presentation must be humorous. Not ha-ha funny, but at least displaying sufficient wit to avoid being considered overly serious or worse, ponderously relevant – that is, ‘coulda been interesting, but too boring to remember.’ This may be somewhat difficult. I’m addressing economists here. You are all now card carrying members of the Dismal Science. I’ll let you in on a little secret. There hasn’t been a thigh-slapper in this profession since someone noted that the letters in “ECONOMICS” can be rearranged to read “COMIC NOSE”, but I digress.... We’ll have to return to the humor.

The third rule is that a commencement address must be relevant. It must invite you – the graduating class of 2009 – to reflect upon, and evaluate the pressing issues of the moment. It must challenge you to go forth – your formal training behind you – and do battle with life’s new realities beyond the confines of the Ivory Tower. No problem here. We’ve got a lot to talk about, subject to the constraint of rule 1, of course. (I know, most of you have already forgotten rule 1).

Unfortunately, the difficulty of complying with rule 3 (remember, that's the one that says this address must be relevant ) is that it will clearly conflict with rule number 4. Rule 4 states that this speech must be "up-beat". It turns out Rule 4 is pretty immutable. Everybody mentioned rule 4. Even the Dean mentioned Rule 4. "You're not going to be depressing, are you? This class has enough to worry about. Their parents are in the audience. They're losing their university medical plan! If they think about it, they may never leave." In short, he was pretty concerned that we keep things positive here, so we have to end on a hopeful note.

So... brevity, humor, relevance and hope. Boy! Talk about being squeezed between the lines of competing utility curves .... It's a bit constraining, but I'll give it a try.

With apologies to the Dean, let's start with the economy. Whew! We are talking Coyote Ugly here. Over the last year, unemployment has risen to almost 9%, the Dow Jones Index is down over 5000 points, and corporate profits have plunged by 40%. Housing starts have withered away and foreclosures are at all time highs. The automobile industry is bankrupt. Major metropolitan newspapers are folding at a record clip, first weakened by the internet and then run over by a loss in advertising. As for financial markets, well, to paraphrase Winston Churchill, "Never have so few owed so much to so many!" In short, it is not a positive outlook, and certainly not one that is, in aggregate, welcoming to new job entrants.

Nor is real economic performance likely to improve in the near term. For the first time in many decades we have an internationally coincident downturn. No one national growth engine is better than any other. All economies, – including those high growth, emerging ones, such as China – are feeling the impact of falling demand and overcapacity. There is simply no star out there on which to hang world prospects.

Here in the US, federal stimulus programs will make a substantial difference over time. But the inevitability of macro-economic lags virtually ensures that 2009 will be one of the most challenging years in the last eighty.

SO..... is the Class of 2009 simply doomed, or is there an up-side? Hey! This is a graduation speech! Of course there's an upside. We're just going to have to look around the elephant in the room – THIS RECESSION – to see it. In fact, there are several undeniable truths in your favor, and its important to keep them in your pocket when you walk out of here.

The first is that you are, as a group, destitute starving students. Most of you have scrimped, borrowed, run down savings and hit up your parents for the purpose of getting here today. Statistically, you will never be this poor again. This is positive.

Second, the major economic devastation of the last year and a half has fallen largely on equity holdings and the housing market. Students typically don't own stock portfolios. No 401(k)'s, no IRA's. You're spenders, not savers. And virtually none of you yet owns your own home. Consequently, you have weathered the worst of this recession essentially unscathed. Think about it. This is amazing!

Even better, from this point on, you will probably be investing in stocks. You can buy them cheap. Bonds will ooze income, like putty in your hands. Your starter home will be more affordable. It may have more rooms. You can get a Jacuzzi. Purchase a pizza, and they will give you a car. In short, today's economic troubles can be your opportunities. This is good!

Third, this is commencement. You're just beginning the journey from an entry level position to the pinnacle of the corporate, professional or entrepreneurial ladder. Given present medical trends, your generation can expect to be in the productive workforce for over 50

years. OK. That may be a bit depressing. But the point is you have a tremendous amount of time in which to maximize your personal relevance, and to decide the manner in which to do so. You can try a lot of things, and you don't need to rush into anything. You don't need to panic. This is a relief!

Fourth. You're economists. I've just told you retirement is over 50 years away. Remember the miracle of compound interest. At even a modest 10% corporate bond rate, sock a dollar away today and you can yacht into the sunset with more than 117 of them fifty years from now. This is not something those of us in my generation can do. We're too old to wait. We need cash now. I'm upset, but life isn't fair. The magic of compound interest goes to the young. You win again!

Finally, let's get back to the recession. It is a bad one, probably the worst you will ever see. But there have been 10 post war recessions before it, and the experience of various groups within them can be instructive. In particular, in all of these past downturns the unemployment rate among the college educated has been the lowest of any demographic group. Even today, with a national average rate approaching 9%, the unemployment rate among graduates is only 4.3%. Look around you. 96 out of a 100 of you are most likely to be gainfully employed over the next year. Bad as this recession may be, you are still well positioned to cushion the blow. In this, I would like to say you are lucky, but it would be untrue. The truth is, you're well positioned precisely because you are well educated.

I said earlier that students don't save, and that's the case. But you have invested in an education, and this is not an asset that is easily devalued. This is a lifetime skill set achieved through hard work and discipline. And for that, I salute you.

As the Graduating Economics Class of 2009, I want you to remember always the economists' motto: "Often wrong, but never in doubt!", and to go forth from these halls with a rational exuberance, secure in the knowledge that things are better than they would be if they were worse than they are!

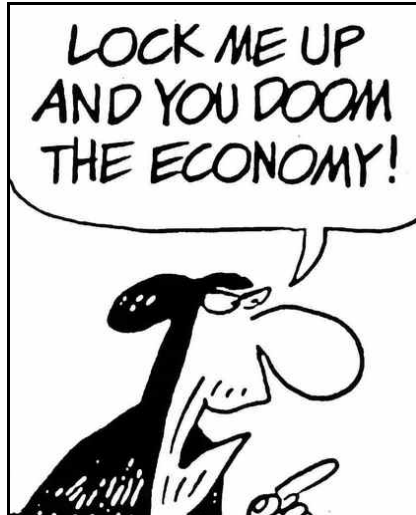
Thank you.



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### Dr. Andrew Safir



Dr. Safir is the President of Recon Research Corporation, an economic advisory firm based in Los Angeles. Earlier in his career, Dr. Safir held a variety of jobs in federal and state government.

In 1972, Dr. Safir worked on the staff of the President's Council of Economic Advisers in Washington. Following that, he spent a year on the White House staff. In both these positions he had great access, virtually no responsibility and a really good time. Dr. Safir next moved to the Department of Justice, where he investigated white collar crime and antitrust abuses. Sadly, he made no more than a minimal impact on either.

In 1975, Dr. Safir became the Deputy Director of the Office of International Energy Policy at the U.S. Treasury. In this capacity he was responsible for assisting in the negotiation of multilateral energy treaties, primarily in Paris, a city to which Dr. Safir reluctantly traveled about 26 times a year for the next 2 years (hey, someone had to do it).

After an unfortunate incident involving a large truffle hound and slab of foie gras (don't ask), Dr. Safir resigned his federal position in late 1977, got married, switched coasts and ended up as the Chief Business Economist for the State of California.

In May of 1980, a coalition of irate labor unions, disgruntled business owners and concerned state representatives suggested Dr. Safir should try the private sector. In June, 1980, Dr. Safir founded Recon, mainly to get even.

Somehow Dr. Safir was awarded a BA degree from the University of Colorado at Boulder in 1969, a Masters degree in economic theory from Tufts University in 1970, and a Ph.D in Economics from Tufts in 1975. He is truly amazed.