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Good News: the Bad News is Wrong

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GOOD NEWS



THE
BAD NEWS
IS
WRONG

by

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GOOD NEWS
The Bad News Is Wrong

by D. P. Diffine, PhD

INTRODUCTION

Good News! As we tiptoe into the new millennium, there are more people connected to the Internet than were hooked up to water, sewer, or electricity 100 years ago. Now, the bad news. This monograph interrupts your day to bring you the following *Special Bulletin*: A new survey shows that if gloom and doom were nutritional, the national television networks could sometimes feed the world.

Has there been too much negative talk about the economy? Indeed. Even in the 1980's, there were, on average, seven negative news stories on the economy for every positive one. The problem continues into the new millennium. In fact, if Thomas Edison had invented the lightbulb today, tonight the television networks would scream "*Tragedy strikes the candle industry!*"

Excessive and negative chatter about the economy is not wholesome. In this writer's lifetime, of the last nine recessions, TV networks have predicted 15 of them. Why do they dwell on it? Because horror movies attract large crowds. Nevertheless, there are some things that reasonable and prudent people just don't do. You just don't stand up in a crowded theater and yell "*fire!*"

Introduction

If there is any one question I have been asked by various audiences around the country, here it is: "*Are events today a replay of the 1930's all over again?*" Nay. There are many differences. Today, Federal transfer payments provide a purchasing power "*floor*" to keep a recession from becoming a depression.

Further, the Fed isn't shrinking the money supply by one-third as it did between 1928 and 1932. By 1933, Gross Domestic Product (GDP) was equivalent to its level in 1900 (having dropped by 50 percent), as the economy imploded. Currently, interest rates are also relatively low by historical standards of recent decades.

Today, there are no three-to-five-year mortgages with balloon payments. Investors are also diversified today; there is a 50 percent stock market margin requirement, not 10 percent. There is no highly prohibitive tariff today, unlike 1931 (Smoot-Hawley). Only 18 percent of the GDP is vulnerable to the business cycle today (mining and manufacturing), not 44 percent as it was in 1930.

Why all this self-flagellation on the nightly network news? Are things really that bad? Industry is not in decline. The dynamic triad of corporate restructuring, quality improvement, and spending on research and development are even now fortifying our economic democracy for decades to come.

I. PROGRESS ABOUNDS

And what's all this network news talk about America being wasteful? We are not "*energy pigs*." In the last two decades we've grown about 75 percent in real terms on only 15 percent more energy. We've doubled vehicle fleet mileage. The equipment in homes and factories is 30 to 60 percent more efficient. We have had better efficiency gains than nearly every one of our Western trading partners. It is the former Socialist economies which presently consume three times the energy per dollar of GDP.

Applied science has brought renewal to our domestic economy. Information technology is changing the concept of industrial resources. Information is expandable; there are no obvious limits. Information is compressible; it can be concentrated, integrated, summarized, and miniaturized for easier handling. Information is substitutable; it can replace capital, labor or physical materials. Robots are an example.

What does that mean? For two decades, we have been applying hi-tech to low-tech industries. Basic low-tech industries are now smaller, leaner, stronger, and more profitable. We have learned that it was not written in the stars that we had to permanently lose markets to overseas competitors or that their quality had to be better.

Progress Abounds

We also learned that we had to automate, emigrate, or evaporate. That's why the family farm is going the way of the mom and pop grocery store and the corner soda fountain. It's called economies of scale (efficiencies of large size). Production of goods now utilizes the resources of many countries. Joint ventures reduce risk, build expertise, and penetrate markets.

Former President Reagan once observed that to match the most successful (former) socialist country's achievements (the late, great, USSR), we would probably have to cut all the paychecks in America by 75 percent, send 60 million back to the farm (that's nearly one-fifth of us), tear down almost three-fourths of the houses in America, rip up 14 out of 15 miles of road and two-thirds of the railroad tracks, junk 85 percent of the automobiles, and tear out nine of ten telephones.

In the lifetime of today's college students, there is much to feel better about: (1) emissions from major pollutants have been reduced; (2) a higher percentage of our lakes and rivers are fishable; (3) forest inventories, public and private, have grown; (4) auto death rates are significantly down, as are death rates from malignancies, heart disease, strokes; (5) we have won 60 percent of the Nobel prizes; (6) 70 percent of our children do live with both parents; (7) nearly 90,000,000 people attend church weekly; and (8) tens of millions of teens have never tried drugs.

II. THE SCORECARD

What is the record as things stand today? With about four percent of the world's population we create more than 20 percent of the world's GDP. Two percent of us grow enough food to feed 200 percent of our population, exporting as much as we consume at home. Our poverty level income exceeds the average Russian income many times over. Our work week is 40 percent shorter than it was in 1900. There is a rise in entrepreneurship. At this writing, about 96 percent of us are working.

America is still number one. We have much to feel good about. We're even 15 years ahead for the Russians in Japanese cars. Japan's growth in the 1970's and 1980's was impressive, but it was America that created 40 percent more jobs in the last 25 years. Japan's employment rose barely half that in the same time period.

All sectors of economy included, especially distribution, agriculture, services, and retailing, America is about 25 percent more productive than the Japanese economy. Japan is also one of our largest export customers for American grains. And historic revisionists are facetiously suggesting that Columbus actually may have sailed to the Americas on the *Pinta*, the *Nina*, and the *Santa Mitsubishi*. Don't think so.

Looking around the world, don't we Americans have much to feel good about?

The Scorecard

The U.S. still enjoys the highest standard of living of any major country. Just think how far we have come. The median educational level of minorities in 1950 was 8.6 years. Today, it is 12 years. In 1940, only 44 percent of us owned homes. Today, 66 percent of us own our homes; Arkansas is right at the national average. Houses today average 2000 square feet, double the average in 1950.

Living standards, according to Frank Levy, have improved significantly. Some 50 years ago, 30 percent of the nation's homes had no running water, 40 percent had no flush toilets, 60 percent had no central heating and 80 percent were heated by coal or wood. Regional poverty is evaporating. Again, 50 years ago, average incomes in the South U.S. were about 40 percent of the national average. Today, Southern incomes have risen to 80 percent of the national average.

Retirement, almost unknown early in the 20th century, due to poverty and shorter life spans, has become more the rule than an exception. Some 50 years ago, about half of all men over 65 worked, while 25 percent of the elderly lived with their children. Social Security means that the elderly can be self-sufficient in retirement. Eighty percent of today's millionaires are first generation folks. How so? They got it the old-fashioned way; they earned it.

III. APPLIED ASTROLOGY

In the economics profession, there are two types of forecasters: (1) those who can't forecast, and (2) those who don't know they can't forecast. Consider these blunders, culled from the Internet and chronicled by *America's Future*:

Western Union president William Orton, rejecting Alexander Graham Bell's offer to sell his struggling telephone company to Western Union for \$100,000: *"What use could this company make of an electrical toy?"*

Lord Kelvin, Scottish mathematician and physicist, former president of the Royal Society, 1897: *"Radio has no future."*

Charles H. Duell, U.S. commissioner of patents, as part of his request in 1899 that the Patent Office be closed down: *"Everything that can be invented has been invented."*

H. G. Wells, British novelist, 1901: *"I must confess that my imagination ... refuses to see any sort of submarine doing anything but suffocating its crew and floundering at sea."*

A president of the Michigan Savings Bank advising Horace Rackham (Henry Ford's lawyer) not to invest in the Ford Motor Co., 1903. Rackham ignored the advice, bought \$5,000

Applied Astrology

worth of stock and sold it several years later for \$12.5 million: *"The horse is here to stay, but the automobile is only a novelty -- a fad."*

Wilbur Wright, U.S. aviation pioneer, 1908: *"I confess that in 1901, I said to my brother Orville that man would not fly for fifty years ... Ever since, I have distrusted myself and avoided all predictions."*

Marshall Ferdinand Foch, French military strategist and future World War I commander, 1911: *"Airplanes are interesting toys but of no military value."*

Irving Fisher, professor of economics and business cycle pioneer, Yale University, Oct. 17, 1919: *"Stocks have reached what looks like a permanently high plateau."*

Josephus Daniels, former U.S. secretary of the Navy, Oct. 16, 1922: *"Nobody now fears that a Japanese fleet could deal an unexpected blow on our Pacific possessions ... Radio makes surprise impossible."*

Harry M. Warner, Warner Brothers, 1927: *"Who...wants to hear actors talk?"*

Applied Astrology

Roger W. Babson, American financial statistician and founder of the Babson Institute, Sept. 17, 1928: *"The election of Hoover ... should result in continued prosperity for 1929."*

U.S. Department of Labor bulletin prediction made in 1929, just before the Wall Street crash and the start of the Great Depression: *"1930 will be a splendid employment year."*

Former British prime minister David Lloyd George, Aug. 1, 1934: *"Believe me, Germany is unable to wage war."*

Joseph P. Kennedy, 1936: *"I have no political ambitions for myself or my children."*

Asked in 1940 about America, Adolph Hitler said: *"The United States will not be a threat to us for decades -- not in 1945, but at the earliest 1970 or 1980."*

Thomas J. Watson, the chairman of IBM predicting this in 1943: *"I think there is a world market for about five computers."*

Hollywood's Darryl Zanuck, the head of 20th Century Fox, in 1946 uttered this forgettable prediction: *"TV won't be able to hold on to any markets it captures after the first six months."*

Applied Astrology

People will soon get tired of staring at a plywood box every night."

Popular Mechanics, forecasting the development of computer technology, 1949: *"Computers in the future may ... perhaps only weigh 1.5 tons."*

In 1956, it was Henry Luce, father and publisher of *Time*, *Life* and *Fortune*, who said, *"By 1980, all power (electric, atomic, solar) is likely to be virtually costless."*

Asked in 1957 about his company's newest product, Henry Ford II said: *"The Edsel is here to stay."*

The authoritative magazine *Business Week* had this to say in 1958: *"With over 50 foreign cars already on sale here, the Japanese auto industry isn't likely to carve out a big slice of the U.S. market."*

Decca Records rejecting the Beatles, 1961: *"We don't like their sound. Groups of guitars are on the way out."*

Dr. Ian G. MacDonald, Los Angeles surgeon, quoted in *Newsweek*, Nov. 18, 1963: *"For the majority of people, the use of tobacco has a beneficial effect."*

Applied Astrology

Movie producer Sam Goldwyn touring a friend's garden in the 1960's came across a sundial. *"What's that?"* he asked. *"It's a sundial,"* answered his friend. *"It uses shadows to tell what time it is; noon, 3 o'clock, and so forth."* Goldwyn was impressed. *"My goodness,"* he said. *"What will they think up next?"*

Dr. Lee De Forest, inventor of the Audion tube and a father of radio, Feb. 25, 1967: *"Man will never reach the moon regardless of all future scientific advances."*

Kenneth Olsen, president and founder of Digital Equipment Corp., 1977: *"There is no reason for any individual to have a computer in their home."*

Yale University management professor in response to Fred Smith, who went on to found Federal Express: *"The concept is interesting and well-formed, but in order to earn a grade better than a 'C', the idea must be feasible."*

However, as *America's Future* points out, more than offsetting all this are the examples of those who were told it could not be done but who went on and did it:

Applied Astrology

A little company in Atlanta, in its first year in the soda business, sold only four hundred Coca-Colas. After Paul Galvin's storage battery business failed for the second time in 1928, he borrowed \$750, bought back part of the business, and went on to establish the electronic giant Motorola.

Then there was Henry Ford, whose first two ventures in the automobile business went bankrupt; or King Gillette, who in his first year, sold only 51 of his new-fangled safety razors, plus 168 blades; or Edwin Land, who dropped out of Harvard after his first year -- and went on to invent the Polaroid camera.

Howard Hughes, Sr. was forced to abandon his first oil well because he couldn't drill through hard rock. Can't be done, he was told. After which, he invented a rock drill that made the Hughes Tool Company rich and famous. R. H. Macy went broke with his first three dry goods stores.

Also, let's not forget NASA, which in its first 28 attempts to launch rockets into space, failed 20 times!

IV. THE FINEST RESULT

A recent Economic commentary by David Attig and Peter Rupert of the Federal Reserve Bank of Cleveland, provides the following insight under the title "Growth and the Internet -- Surfing to Prosperity?":

In the late nineteenth century, the clergyman and economist Thomas Malthus made a simple prediction of economic theory that would result in the discipline being forthwith known as the dismal science. The pessimistic extrapolation for which Malthus is famed foretold of long economic cycles in which widespread famine must be an inevitable part.

Malthus's proposition relied on the entirely valid principle of diminishing returns, the tendency for the incremental returns to labor (or any input into the productive process) to fall as more and more of it is employed. The argument goes as follows: The amount of cultivatable land available to feed a society is effectively fixed. As the population grows and more and more people apply their labor to the production of food, the additional fruits of that labor decline, reflecting diminishing returns.

But that, by definition, means that production per worker falls. In Malthus's calculation, average food

The Finest Result

output would ultimately decline to levels insufficient to avoid famine. The somewhat gruesome outcome would be a rise in mortality that would persist until the population declined enough to allow marginal workers to produce at the level necessary for sustenance. From the vantage of industrialized, non-agrarian economies, Malthus's prediction appears quaint and obviously wrong.

The real shortcoming in Malthus's prediction appears quaint and obviously wrong. The real shortcoming in Malthus's analysis was in part due to the fact that he omitted the role of reproducible factors of production other than labor (capital, for instance). But even more critically, he neglected the powerful and pervasive influence of technological advanced. In fact, some estimates imply that technological advance in capital accounts for about 50 percent of long-term growth in advanced economies.

Fast forward to 1976. At the occasion of our Bicentennial celebration, United Technologies published the following full-page ad in national business magazines:

In just 200 years, your country, through freedom and hard work, has changed the world ... In agriculture,

The Finest Result

industry, education, medicine, law, transportation, and on and on ... No country can match America's record in religious freedom, civil freedom, human rights, the importance and dignity of the individual ... We do have our differences ... But when we join together in times of crisis, our strength is awesome ... Among all the world's nations, America still stands out front ... You're an American ... You're the finest ever – and don't you ever, ever forget it.

Writing as an economic historian, I think it's well to remember that, timewise, it took nearly a half year for word of Christopher Columbus' discovery of the Americas to reach Europe. By contrast, barely 1.3 seconds elapsed for the world to witness on television the historic first step of man on the moon. Don't tell us we haven't made great progress, thank you very much.

V. THOSE REVOLUTIONS

Wythe Walker, one of my mentors and former publisher of *Arkansas Business*, reminds us: *"This is the country that within five generations, with one-tenth of Earth's land area and one-twentieth of its total population, accumulated by the end of World War II one-half of the industrial power in the world. We accomplished that with hard work and initiative harnessed to the most productive economic system ever devised -- free market capitalism."*

Walker goes on: *"Just 200 years ago, the economist Adam Smith wrote that in the Highlands of Scotland it wasn't uncommon for a mother who had borne 20 children to have but two alive. The philosopher Thomas Hobbes said city streets were piled with filth and life was 'nasty, brutish and short.' Now, fat and happy, we have lost our connections to our past."*

Tom Peters, popular management consultant and author of *In Search of Excellence* provides an "in-your-face" example of facing progress head on:

*Look, societal change is painful: It wasn't any fun in 1885 to be a merchant at a booming stagecoach stop when the railroad came through 17 miles to the north. Losers, as Richard McKenzie, author of *The American Job Machine* implies, will dig moats and blame others. Winners will grit their teeth and create radical*

Those Revolutions

programs to help "human capital" (You and me!) deal with the wrenching transition. Bitter as it is to swallow, those who take the medicine first will emerge healthy quickest.

As I prepare once again to instruct an Economic History of the United States course, 'tis time to reflect. On the eve of the new millennium, no less than five revolutions emerge from our past:

- (1) In the 1700's, it involved water, power, textiles, and iron;
- (2) Around the 1850's, it took the form of steam, rail, and steel;
- (3) Early in the 1900's, the new revolution comprised electricity, chemicals, and internal combustion;
- (4) By the 1950's, electronics, aviation, and mass production dominated; and finally,
- (5) The current revolution involves the hi-tech, hi-touch, financial, informational-knowledge industry.

VI. AMERICA'S YESTERYEAR

"This is an epoch of invention and progress unique to the history of the world ... a gigantic tidal wave of human ingenuity and resource, so stupendous in its magnitude, so complex in its diversity, so profound in its thought, so fruitful in its wealth, so beneficent in its results, expand to a full appreciation of it." Those words, said Harold Evans, coming on the heels of a doubling in the number of patents for inventions in just one third of a century, appeared in a *Scientific American* editorial in, would you believe it, 1896!

Internet sites are not easily verifiable. However, one millennium entry titled *"It May Be Hard to Believe that a Scant 100 Years Ago ..."* clearly tracks with other accounts:

The average life expectancy in the United States was forty-seven.

Only 14 percent of the homes in the United States had a bathtub.

Only 8 percent of the homes had a telephone.

A three minute call from Denver to New York City cost eleven dollars.

There were only 8,000 cars in the U.S. and only 144 miles of paved roads.

America's Yesteryear

The maximum speed limit in most cities was ten miles per hour.

Alabama, Mississippi, Iowa, and Tennessee were each more heavily populated than California.

With a mere 1.4 million residents, California was only the twenty-first most populous state in the Union.

The average wage in the U.S. was twenty-two cents an hour. The average U.S. worker made between \$200 and \$400 per year.

More than 95 percent of all births in the United States took place at home. Ninety percent of all U.S. physicians had no college education.

Instead, they attended medical schools, many of which were condemned in the press and by the government as "substandard."

Sugar cost four cents a pound. Eggs were fourteen cents a dozen. Coffee cost fifteen cents a pound.

Most women only washed their hair once a month and used borax or egg yolks for shampoo.

Canada passed a law prohibiting poor people from entering the country for

America's Yesteryear

any reason, either as travelers or immigrants.

The five leading causes of death in the U.S. were as follows:

- 1. Pneumonia and influenza*
- 2. Tuberculosis*
- 3. Diarrhea*
- 4. Heart disease*
- 5. Stroke*

The American flag had 45 stars. Arizona, Oklahoma, New Mexico, Hawaii and Alaska hadn't been admitted to the Union yet.

Drive-by-shootings – in which teenage boys galloped down the street on horses and started randomly shooting at houses, carriages, or anything else that caught their fancy – were an ongoing problem in Denver and other cities in the West.

The population of Las Vegas, Nevada was thirty. The remote desert community was inhabited by only a handful of ranchers and their families.

Plutonium, insulin, and antibiotics hadn't been discovered yet. Scotch tape, crossword puzzles, and iced tea hadn't been invented.

America's Yesteryear

There was no Mother's Day or Father's Day.

One in ten U.S. adults couldn't read or write. Only 6 percent of all Americans had graduated from high school.

Punch card data processing had recently been developed, and early predecessors of the modern computer were used for the first time by the government to help compile the 1900 census.

Eighteen percent of households in the United States had at least one full-time servant or domestic.

There were about 230 reported murders in the U.S. annually.

VII. THE WAY IT WAS

The comforts most Americans enjoy today and at the turn of another century might make life over 200 years ago seem like hardship. Yet closer study shows that the colonists generally were a prosperous and contented people -- already turning America into the "land of opportunity." By 1780, there were only 2.5 million Americans -- excluding Indians -- about the population of the state of Arkansas today.

However, we were a different kind of people back in the 1780's. According to the American Economic Foundation, nearly half the citizens were 15 or younger. Most people farmed the land for a living. Life was rigorous and tough. Work was a sun-up to sun-down regimen six days a week. Little wonder that the average male could look forward to only about 38 years of life, compared with almost 75 years today. Only one in 1,000 had completed college in 1776, compared with one in seven today.

Inflation was rampant during the War for Independence. By 1780, paper money authorized by the Continental Congress was practically worthless and was replaced by a new currency at an exchange rate of 40 to 1. Hence the expression " ... *not worth a Continental.*"

The ceiling price on turkeys was 9 cents a pound, on milk 9 cents a gallon, on rum 63 cents a gallon. Lodging at local taverns was frozen at 5 cents a night. Two examples of

The Way It Was

typical wages were a maximum of 70 cents a day for carpenters, 42 cents a day for tailors. Barbers were prohibited from charging more than 3.5 cents for a shave. Top pay for a soldier or sailor was \$8.00 a month.

Average yearly income per person (measured in 1974 dollars) was \$634 in 1776. That's double the average yearly income in some Third World countries today. And the gross domestic product (the value of all goods and services produced) came to \$1.6 billion in 1776, a tiny drop in the bucket compared with today's \$8 trillion. It cost 10 cents to mail a letter, but that was good for delivery only within a radius of 100 miles. The fee rose to a maximum of 25 cents for a letter going 450 miles or more.

Americans also plunged into privateering -- operating private commerce raiders, authorized by the Continental Congress. A group of merchants would fit out a heavily-armed schooner, each buying one or more shares. In keeping with the spirit of economic freedom, a man might own half the shares or only one-fiftieth. In addition to the shares, prize money went to owners and crews -- a true incentive system.

For years, the privateers thrived, taking some 2,000 British vessels and a vast amount of needed goods. But it was a high-risk business, and there was no guarantee a privateer would return at all, much less return a profit. Then, toward the end of the

The Way It Was

War for Independence, the British Navy swept most of our privateers off the seas. Many an owner suffered disastrous losses -- illustrating the economic fact that high profits are apt to be temporary.

There are companies today that have been doing business since the founding of the republic. So far, the names of two score firms have been uncovered that were in existence when George Washington was president between 1789 and 1797 and are still doing business.

One notable example is the Pratt & Whitney division of Colt Industries Inc. Pratt & Whitney, which also gave its name to the engine division of United Aircraft Corporation, was founded by the noted inventor, Eli Whitney, father of the cotton gin, of modern high power gunpowder and of accurate gauges for metal fabrication.

American Bank Note, which has printed money for many nations, has been around since Washington's time. Curiously, two of the firms made pencils in George Washington's day and still make them, Koh-I-Noor Co. of Bloomsbury, NJ and Faber-Castell Co. of Newark NJ.

The War for Independence brought new monetary difficulties. The Continental Congress, powerless to impose taxes, was forced to print massive amounts of currency to finance the war. This flood of paper

The Way It Was

money caused the Continental currency to rapidly depreciate.

The currency of the times reflected the times themselves, according to Historical Documents, Co. In 1776, the New York 10 dollar bill contained the phrase "*Tis Death to Counterfeit*" at the bottom right corner. Counterfeiting of currency was a major problem in the colonies. In 1777, the Georgia 4 dollar bill, one of many issues intended to finance the war, contained the words "*For the support of the Continental Troops and other expenses of Government.*"

In 1778, the United States 20 dollar Continental commemorated independence. Currency printed before 1777 contains the words "*United Colonies*"; issues after that say "*United States.*" In 1778, the North Carolina 4 dollar bill contained the motto "*A Lesson to Arbitrary Kings, and Wicked Ministers.*" It is an interesting example in print of rebellion against the British government.

In 1780, the Massachusetts-Bay 8 dollars signified that Massachusetts-Bay, the first colony to issue paper money in 1690, had its name changed to "*Commonwealth of Massachusetts*" in 1780. In 1781, the Virginia 250 dollar bill cited the rate of "*One for Forty*" on the bill as the value in gold or silver and indicates the severe inflation caused by the War for Independence.

The Way It Was

America's first economist, a fellow named Webster (not Daniel or Noah, but Pelatiah) warned that too much money being printed and issued resulted in useless currency. By 1777, the Continental Congress had imposed price controls. The reason? To decrease the cost of feeding and supplying Washington's army. The result? Farmers refused to sell, except to British, who paid in gold.

Hoped for plenty at low prices resulted in scarcity and misery for the Continental army. General Washington sent very critical messages to Congress saying (paraphrased): "*... troops always have to have two days provisions so when opportunity presents itself, they won't be continually obstructed. We have 2,898 men unfit, barefoot, and unless something changes, the army will starve, dissolve, and disperse in order to subsist*"

The price controls were dropped by the Continental Congress; supply and demand began to work toward natural, mutually-agreed upon market prices. Washington's army was supplied for rest of year and following winter. Good economics saved the day!

Or, as Webster (not Daniel or Noah, but Pelatiah), the economist put it, "*Trade, if let alone, will ever make its own way best, and like an irresistible river, will ever run safest, do least mischief, and most good, suffered to run into its own channel.*"

VIII. LIVING LONGER, WEALTHIER, SAFER

America's Future also weighed in on 20th Century life, as superbly reviewed by Stephen Moore of the Cato Institute:

There has been more improvement in the human condition for people living in the United States in this century than for all people in all previous centuries of human history combined. The unique American formula of individual liberty and free enterprise has encouraged risk taking, experimentation, innovation, and scientific exploration of a magnitude that is unprecedented in human history.

Three relatively modern developments have revolutionized human life. The first was modern medicine. Scientists generally attribute up to half the increase in life expectancy in this century to improved drugs, vaccines, and other medical treatment break-throughs.

The second development was the harnessing of electrical power. The magic of electrical power not only brought us literally out of the darkness, but also launched thousands of inventions, all of which have allowed mankind to begin to

Living Longer, Wealthier, Safer

harness the forces of nature, thus improving nearly every aspect of our daily lives.

The third transforming development was the invention of the microchip. As the brains of the computer, the semiconductor has been mankind's passport to a whole new universe of knowledge.

For the vast majority of Americans, life was not better in the 1950's than today. We are healthier, we live longer, we are richer, we can afford to purchase far more things, we have more time and money for recreation, we have bigger and better homes, we are at much less risk of catastrophic accidents, and we breathe cleaner air and drink safer water.

Most Americans who are considered "poor" today have routine access to a quality of food, health care, consumer products, entertainment, communications, and transportation that even the Vanderbilts, the Carnegies, the Rockefellers and 19th-century European royalty, with all their combined wealth, could not have afforded.

IX. SNAPSHOTS OF A CENTURY

Recently, the Chairman's Office of the Joint Economic Committee of Congress published an *Economics Chartbook*, "*The U.S. Economy at the Beginning and End of the 20th Century*." This *Chartbook* compares graphical snapshots of the economy from 1900 to today. They are arranged in six sections: (1) America's place in the world; (2) regional changes in America; (3) our standard of living; (4) growth in government; (5) changes in the workforce; and (6) growth in international trade. Here is a composite of its content:

The American standard of living has risen dramatically during the twentieth century. Today, the average full-time employee works about 40 hours per week rather than 60, and the average family spends just 15 percent of its income on food today, compared to 44 percent in 1900. We are producing and consuming six times more goods and services, per person, than we were in 1900.

In addition, we typically live about 30 years longer today as we have successfully fought many diseases. In fact, the death rate from infectious diseases is just seven percent of what it was a century ago, when the two biggest killers were pneumonia and tuberculosis.

Snapshots of a Century

The United States eclipsed Britain as the world's wealthiest major nation in about 1903. America retained this leadership position throughout the century as open markets, technological advances, and waves of immigration created continual renewal and growth in our economy.

Today, Americans produce over one-fifth of the world's gross domestic product (GDP), and have average incomes about 20 percent higher than the Europeans or the Japanese.

Vast demographic and industrial changes have reshaped how and where Americans live and work. The American population has more than tripled during this century, and was transformed from being 60 percent rural in 1900, to 75 percent urban today.

Millions migrated to the South and West, causing these two regions to balloon from 37 percent of the U.S. population in 1900 to 58 percent today. In addition, the country experienced a dramatic reduction in income disparities between regions as economic growth greatly boosted personal incomes in many formerly poor states.

Snapshots of a Century

Americans also have a much different government today than a century ago. For one thing, it is much larger – taxes account for over 29 percent of the nation's GDP today, compared to just 6 percent a century ago.

In addition, the structure of government has changed. In 1900, local governments were responsible for 55 percent of all government spending. Today, the federal government is dominant, with the responsibility for 68 percent of all government spending.

Special mention was made by the Joint Economic Committee Senior Economist Chris Edwards, regarding the momentum coming from high technology :

- *The high-technology sector has been responsible for about one-third of real U.S. economic growth in recent years.*
- *High-tech industries account for over 8 percent of U.S. GDP.*
- *Employment in high-tech manufacturing and services industries has soared 32 percent during the past six years, twice the 16 percent growth rate in total U.S. jobs.*

Snapshots of a Century

- *In 1998, the average high-tech sector wage was 82 percent higher than the overall private sector average wage.*
- *High-tech trade in goods is surging with the value of U.S. high-tech exports more than doubling since 1990.*
- *U.S. industry is increasingly dependent on research, with the ratio of business R&D to GDP rising from less than 1.0 percent in the 1970s, to over 1.8 percent today.*
- *The share of U.S. households with personal computers is expected to rise from 54 percent in 2000 to 59 percent by 2004.*
- *The share of U.S. households with Internet access is expected to rise from 52 percent in 2000 to 65 percent by 2004.*
- *The share of U.S. households with cell phones is expected to rise from 56 percent in 2000 to 65 percent by 2004.*

Nobel Economist Milton Friedman, recently named "Economist of the Century" by a national business publication, has also weighed in on the technology issue: "The technological evolution makes it possible to produce products anywhere using resources from anywhere by a company located anywhere to be sold anywhere."

Snapshots of a Century

The Joint Committee *Economic Chartbook*, building on the research of Michael Cox and Richard Alm, also fleshed out a more complete description of some individual tiles than went into the broader mosaic. Consider this work time needed for the average worker to buy selected products (remember, time is money):

Half gallon of milk
1900: 56 min.
2000: 7 min.

One-pound loaf of bread
1900: 16 min.
2000: 3.5 min.

Hershey bar
1900: 20 min.
2000: 2.1 min.

Three-pound chicken
1900: 2 hrs. 40 min.
2000: 14 min.

Pair of Levis Jeans
1900: 9 hrs. 42 min.
2000: 3 hrs. 24 min.

100 kilowatt hours of electricity
1900: 107 hrs. 17 min.
2000: 38 min.

3 min. coast-to-coast phone call
1900: 90 hrs. 40 min.
2000: 2 min.

X. THE FED WEIGHS IN

The Federal Reserve Bank in Dallas has consistently considered economic education as crucial to its mission. In a recent *Annual Report* under the title, "*Time Well Spent -- The Declining Real Cost of Living in America*," Michael Cox and Richard Alm further elaborate on this "... *time is money*" theme:

The cost of living is indeed going up -- in money terms. What really matters, though, isn't what something costs in money; it's what it costs in time. Making money takes time, so when we shop, we're really spending time. The real cost of living isn't measured in dollars and cents but in the hours and minutes we must work to live.

When a product first comes onto the market, it's typically very expensive, affordable for only society's wealthiest. Soon thereafter, though, its price falls quickly and the product spreads throughout society. Once the good or service becomes commonplace, its price usually continues to fall, but at a slower rate. This tendency shows up in such everyday purchases as housing, food, clothing, gasoline, electricity and long-distance telephone service. It also applies to manufactured goods -- automobiles, home appliances and

The Fed Weighs In

the modern age's myriad electronic marvels.

And year after year, it takes less of our work time to buy entertainment and services -- movies, haircuts, airline tickets, dry cleaning and the like. In a very real sense, the cost of living in America keeps getting cheaper. By harnessing the natural power of income distribution, free markets have routinely brought the great mass of Americans products once beyond even the reach of kings.

Earning our daily bread takes less than a third the time it once did. Milk takes a fifth, bacon a sixth, oranges a seventh and eggs just one-sixteenth of their work-time cost in 1919. Taken together, the job time required to pay for a 12-item food basket has fallen from almost 10 hours to under two.

Burning just 10 lightbulbs for 100 hours cost \$16.20 in 1902, the equivalent of two weeks' wages for factory workers. As a result, only one in 200 American households could afford to be wired. Today, with its work-time toll a mere 0.6 percent of what it was then, over 99.9 percent of U.S. households enjoy electricity.

The Fed Weighs In

The Guardian electric refrigerator was first manufactured in an old Detroit organ factory in 1916. Units were insulated with seaweed and boasted 9 cubic feet of storage. At \$800 each, only the city's wealthy could afford one, and the company sold just 40. Today's 20-cubic-foot Frigidaire units come with ice makers, frost-free freezers and more. Yet they're available for just a fifth of the work-time cost of even 1950s models.

Even working a shorter week than at the turn of the century, Americans today don't have to spend as much of their income on the basics. With the gains in what our work time buys, expenditures for food, clothing and shelter consume only 38 percent of a typical household's budget, not the 76 percent they once did.

American Airways' Ford Tri-Motor had a top speed of 120 mph, carried 12 passengers and bumped along 2,000 feet up for the first coast-to-coast plane trip in 1930. The trip included 10 stops, one of them overnight. Passengers carried all their luggage on board, plugged their ears with cotton wool and were warned not to throw anything out the plane's windows. Cabins were not heated, air-conditioned or pressurized. The 36-hour trip cost

The Fed Weighs In

\$200 -- nearly 2 months' work for the typical factory hand -- so passenger rosters read like the invitation list to a royal ball. The tab for today's 5-hour trip runs about 2 days' wages, just 4 percent of 1930's work price and less than a fourth of 1951's toll. Americans of virtually all income classes travel, racking up a per capita average of more than 1,000 air miles annually.

XI. ANSWERING DOOMSAYERS

The editors of *America's Future* have developed a stark perspective of life during the Great Depression:

Are the doomsayers ignoring the underlying strength, resourcefulness and resilience of the American people? There's no denying that times are sometime tough and some people are hurting. But when media coverage concentrates almost exclusively on the "negatives," it can undermine public confidence and prolong the recession. In fact, however, the sky is not falling. Nor is it in our national character to give way to despair. We have rebounded from far worse crises in the past. Just ask any American who lived through the Great Depression.

In the early 1930's, unemployment reached 25 percent, nearly four times what it is today. And unemployment insurance was unknown. Likewise, there was no FDIC to bail out depositors who lost all their savings when more than 10,000 banks failed and closed their doors. Money was so hard to come by that public school teachers in Chicago were paid partly in script, or IOU's. As in many other cities, the municipal government of Chicago was flat broke. Soup kitchens and World War I veterans selling apples for a nickel each were familiar sights.

Answering Doomsayers

To make matters worse, in the mid-30's, giant dust storms plagued the Plains states, driving farm families off their land to seek work wherever they could find it. The lucky ones might locate a job paying \$13.50 a week, or less. Many worked just for their rent, or for room and board. Families cared for their own sick and elderly. There was no Medicare, Medicaid or Social Security early in the Depression.

Through all this and more, the American people toughed it out, helping one another as best they could, and relying on their own ingenuity and perseverance to see them through the worst of times. Above all, the vast majority never lost faith in themselves or in their country's destiny. And when called on to fight the forces of totalitarianism in World War II, Americans responded with unprecedented determination, dedication and self-sacrifice.

Since those years, our nation has met and overcome many other challenges and adversities, both at home and overseas. We have made our share of mistakes. Yet, few of our friends and former enemies question our good and generous intentions. And in times of stress here at home, Americans have retained that "can do" spirit inherited from our pioneering

Answering Doomsayers

forefathers and mothers. In these perilous times, it was for many a daily struggle just to survive. Can there be any serious doubt that today, with our boundless resources, America ultimately will surmount its major difficulties? Surely, we can summon again our incomparable scientific genius, inventiveness and energy to achieve new greatness.

XII. A GOLDEN AGE?

The aforementioned Fed report continues to shed light on how, through our American incentive system, we attained a standard of living beyond the dream of kings:

Capitalism's critics often fret about the wealthy having too much, but uneven income distribution plays a role in developing markets. New products are usually very expensive -- outside the reach of all but society's wealthiest. In footing the initially high bill, the rich paid the fixed cost of bringing service to the masses in America.

Without society's wealthy, fewer new goods and services would find their way to the rest of us. Indeed, the wealthy's free spending spurs a democracy of consumption because it starts the process of lowering prices. As a result, today's average Americans have what only a few could once enjoy. The system harnesses the spending of a relative few and puts it to work delivering goods to the masses. Far from being a blight on society, unequal income distribution is instrumental in driving society forward. It's a natural resource.

The true test of an economic system is how productive it is with people's time. The majority of us aren't born with big bank accounts, but we are born

A Golden Age?

with time. Time is the real currency of life, and the value of our time -- what we can acquire for its exchange -- is our most important asset. Like a good steward, America's free enterprise system has consistently raised the value of our hours and minutes, making most goods and services affordable for the average worker. The result is a democracy of consumption.

In 1928, Herbert Hoover's presidential campaign promised Americans "a chicken in every pot ... and a car in every backyard, to boot." Today, we have all that and much, much more -- not by the grace of government but by the mechanism of markets. When common labor supports the good life, it's truly time well spent.

The reader should note that President Hoover said, "backyard," not "garage" as he is commonly quoted. Truly, before there were cars, garages were a rarity. Garages came after cars, not before.

A recent report from the Cato Institute, described some of the nonmedical ways in which our lives have changed since 1900: "An analysis of almost every indicator of health, welfare, safety, environmental quality and social conditions reveals great progress. Even the poorest Americans today enjoy conveniences that millionaires never dreamed possible 100 years ago."

A Golden Age?

Here are just a few of their observations, compared with a century ago in America:

- *Four times as many adults are getting their high school degrees.*
- *Six times as many women now have bachelor's degrees.*
- *Nearly all American homes (98%) have telephones, electricity and a flush toilet.*
- *Accidental deaths have dropped by 61 percent despite all the additional cars and airplanes and the millions of people using them.*
- *Manufacturing wages are four times higher.*
- *Household assets are seven times greater.*
- *More than 70 percent of Americans have at least one automobile, a VCR, a microwave oven, air conditioning, cable television, a washer and dryer -- all things that many of us tend to take for granted.*
- *The average workweek is 30 percent shorter (35 hours now vs. 50 hours a week in 1909).*
- *We are spending twice as much time in leisure activities as our forebearers did in 1900.*

XIII. THE FUTURE IN NOSTALGIA

Fifty-five years have elapsed since peace broke out at the end of World War II. We are indeed survivors. Consider what have we witnessed (contributed from several anonymous sources):

We were born before television, before penicillin, before polio shots, frozen foods, Xerox, plastic, contact lenses, Frisbees and the pill. We were before radar, jet aircraft, credit cards, split atoms, lasers, and ballpoint pens.

Before pantyhose, dishwashers, clothes dryers, electric blankets, disposals, air conditioners, drip-dry clothes... and before man walked on the moon. We got married first and then had the honeymoon. How quaint can you be? In our time, closets were for clothes, not for "coming out of." Bunnies were small rabbits and rabbits were not Volkswagens.

Designer Jeans were scheming girls named Jean or Jeanne, and having a meaningful relationship meant getting along well with our cousins. We were before house-husbands, computer dating, dual careers and commuter marriages. We were before day-care centers, group therapy and nursing homes.

We never heard of FM radio, tape decks, CDS, faxes, cellular phones,

The Future in Nostalgia

word processors, artificial hearts, yogurt, and guys wearing earrings. For us, time-sharing meant togetherness... not computers or condominiums; and "chip" meant a piece of wood, hardware meant hardware and software meant nothing.

In 1940, "made in Japan" meant cheap goods, "making out" referred to how you did on your exam. Pizzas, "McDonalds" and instant coffee were unheard of. We hit the scene when there were 5 and 10 cent stores, where you bought things for five and ten cents.

For one nickel you could ride a street car, make a phone call, buy a Pepsi or enough stamps to mail one letter and two postcards. You could buy a new Chevy Coupe for \$600, but who could afford one; a pity too, because gas was 11 cents a gallon! One car per family was just fine, thank you. Two meant you were living on credit or in the wrong neighborhood.

In our day, "grass" was mowed. "Coke" was a cold soda pop drink, and "pot" was something you cooked in, and then was scrubbable. "Rock music" was "Rock-a-bye-baby" and "Rock of Ages," and "aids" were helpers in the principal's office.

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"ERA" stood for Earned Run Average. The bully on the block was the kid who threw sand. Every kid in America wore mouse ears and wriggled with hula hoops. Howdy Doody and Uncle Miltie got top billing. Whitewall tires really had white walls. We got our first television set and sat for hours mesmerized by the test patterns.

If we needed money, we scrubbed floors, mowed lawns, baby-sat, dug weeds, ran errands (not drove, ran), raked leaves, or ironed shirts. A "joint" was an elbow or a knee, and "Give me five" means, "Could you lend me 5 dollars till payday?"

"Snow" was shoveled, "Smack" was what we got for talking back. "Fuzz" grew on a peach. "Speed" was what papa did if we were late for church. "Upper" was a happy story. "Downer" was a depressing tale. "Smoke" meant fire. "Pig" was an animal. "Bad" wasn't good, and "mean" wasn't great.

No wonder there is a generation gap! But we survived. What better reason to celebrate? Yes, there was a time -- a very good time when people knew how to get along, and when Americans -- most of us -- knew what was important. Do you remember this? It's "A TIME TO

The Future in Nostalgia

REMEMBER," by The Americanism Educational League:

- *When taxes were merely a necessary nuisance?*
- *When a man was a man and dressed like one?*
- *When a woman was a woman and dressed to please the men?*
- *When the poor were too proud to accept charity?*
- *When clerks and repairmen tried to please you?*
- *When the clergy really preached about religion?*
- *When songs had a tune and the words made some sense?*
- *When people expected less and valued what they had more?*
- *When just about everybody knew the difference between right and wrong?*
- *When things weren't perfect in the United States, but you did not expect them to be?*
- *When hippie meant big in the hips.*
- *A trip involved travel in cars, planes, and ships?*
- *Hooked was what grandmother's rugs may have been.*
- *When fix was a verb that meant mend or repair.*
- *When groovy meant furrowed with channels and hollows.*
- *And bread came from bakeries and not from the mint.*

The Future in Nostalgia

- *When roll meant a bun, and rock was a stone.*
- *And hang-up was something you did with the phone.*
- *When the flag was a sacred symbol?*
- *When criminals went to jail?*
- *When you weren't afraid to go out at night?*
- *When a boy was a boy and dressed like one?*
- *When a girl was a girl, and dressed like one.*
- *When college kids swallowed goldfish, not acid.*
- *When people knew what the Fourth of July stood for.*
- *When you never dreamed our country could ever lose a war.*
- *When you considered yourself lucky to have a good job, and proud to have it.*
- *When you weren't embarrassed to say that this is the best country in the world.*
- *When America was a land filled with brave, proud, confident, hardworking people!*
- *When you bragged about your hometown and native state?*
- *When not everybody felt they were entitled to a college degree even at the taxpayers' expense?*
- *When a Sunday drive was a pleasant jaunt and not an ordeal?*

The Future in Nostalgia

- *When politicians proclaimed their patriotism and really meant it?*
- *When your government stood up for Americans everywhere in the world?*
- *When you knew the law would be enforced and your safety would be protected?*
- *When the law meant justice and you felt a little touch of awe every time you saw a policeman in uniform?*
- *When the United States was filled with courageous, honest, clean, confident, and proud people -- American people?*
- *When charity was a virtue, not a telethon.*
- *When lights -- not people -- were turned on and off.*
- *When instant recall was a sign of good intelligence, not bad manufacturing.*
- *When trouble in the streets meant potholes.*
- *When movies were rated on how good they were, not on who was allowed to see them.*

XIV. OUR AMAZING SYSTEM

One reason this writer became interested in capitalism is that it solves the problems of society better than any other economic system known, by solving the problems of the individual. The application of freedom to the marketplace allows people to achieve much more than under other systems.

Freedom of enterprise is an attitude of responsibility, citizenship, pride, dignity and decency, and above all, it is an attitude of thankfulness. For too long, we who write and speak have mainly emphasized the free market's advantages, when perhaps we should also have been passing the word about its "good news."

In all of human history, only the free market has come to bear successfully on solving the age-old problems of scarcity and poverty. Through our American incentive system, we developed a superb track record of doing things that benefit people.

When America's profit-incentive system is working well, profits (or business savings) provide steady jobs, higher wages, more jobs, worker benefits, better working conditions, safe and modern equipment, rising standards of living, opportunities for the future, and social progress.

Losses also provide a valuable function in the American incentive system. Losses are the market's way of sending a signal to businesses to reallocate their resources

Our Amazing System

more efficiently, according to the price- and quality-conscious customer's demanding standards.

Capitalism, therefore, contains its own built-in checks and balances. People are required to exercise sound judgment, or suffer the consequences of their own folly. The American incentive system doesn't carry any guarantee. One risks failure along with the prospect of success. And if we are honest, we know that there are no real guarantees possible in life - not in theory, not in reality.

XV. WHAT'S THE ANSWER?

We Americans work so hard. Often, when our candle flickers a little, we pause to wonder about a basic question, "*What is the redemptive value of a lifetime of work and thrift we've incorporated into our lives?*" What's the answer? "*How Do You Spell Relief?*" The answer is, and always has been, "*F-A-M-I-L-Y.*" Family is the past, present and future - the closest thing to immortality this side of the grave.

What can we all still do to truly make this our best century yet? We can each try to create a strong, loyal family, bound together and deeply rooted in faith and trust. Then we can work with purpose. Families are the past, present, and future. Families take what we've accomplished and build on it. Families are for growing up in, for going away from, and for coming home to. The best Department of Health and Human Services is the family.

The world may not be entirely as we would like it to be. There have always been problems to be faced by individuals, families, business, and industry. Many problems are really conditions that eventually straighten themselves out in time in dynamic societies. But in the perspective of previous decades, and looking at other countries, the American economy will emerge as superior. And we can take that to the bank.

What's the Answer?

There is still a silver lining in economic storm clouds. We still have the "Grossest Domestic product" in the world! Never forget – we enjoy a standard of living beyond the dreams of kings. For this, we owe a great deal of credit, to those who have extended us credit, to whom we owe a great deal (a record level of debt – personal, business and government notwithstanding – another topic, another time).

Alas, according to the Tax Foundation and U.S. Treasury statistics, and in terms of adjusted gross income, the progressive tax code is alive and well (like it or not):

- *The highest 5 percent paid 42.9 percent of all federal income taxes;*
- *The highest 10 percent paid 53.9 percent of all federal income taxes;*
- *The highest 25 percent paid 76.3 percent of all federal income taxes;*
- *The highest 50 percent paid 93.8 percent of all federal income taxes;*
- *The lowest 50 percent paid 6.2 percent of all federal income taxes; and*
- *The lowest 25 percent paid 0.9 percent of all Federal income taxes.*

XVI. OUR VANTAGE POINT

Why do we knock ourselves, when we are the envy of the world? We have so much to be thankful for:

A country of unbounded beauty; almost unlimited natural resources; a standard of living beyond the dream of kings; a judicial system that is the envy of the rest of the world; food so plentiful overeating is a major problem; food processing advances which give us all-season menus; clothing that is more durable, longer lasting, and easier to maintain; a press nobody can dominate; a ballot box nobody can stuff; churches of our choice; 140 million jobs; freedom to go anywhere we want, with the planes, cars, and highways to get us there; automobile tires that last as long as some cars; Social Security; Medicare; hybrid synthetics, metals and plastics that can even replace some body parts; near-miracle drugs which can help us live longer and feel better; unemployment insurance; public and private schools, plentiful scholarships, etc. We are literally a people "free" to do anything we want, if we have the "enterprise" to do it.

The bottom line? Learning economics won't make you a millionaire nor will it keep you out of the soup line. It will just give you a better understanding of how you got there. So, ignore the gloom and doom prophecies

Our Vantage Point

and get a life. Make your peace with your Creator on His terms, then live as to be neither ashamed of yesterday nor fearful of tomorrow. Yes, live long and prosper; however, also try to keep a balanced perspective. Always remember that despite all your accomplishments in life, the size of your funeral will be determined by the weather. If it is cold and rainy, don't look for me (only kidding)!

XVII. REINVENTING OURSELVES EVERY DAY

It seems as if I am always giving advice to young people; they really are America's greatest natural resource. I like to catch them at the threshold of their careers. Often, that time comes as I have the chance to speak at high school or college commencement exercises.

Commencement is a wonderful ceremony marking the beginning of a new life of "freedom" to support themselves. The students are seated there at graduation thinking, "*Here I am world; I know my ABCs.*" And yet the world says, "*Come on out here son or daughter, and we will teach you the rest of the alphabet.*"

I try to make it a point to remind our young people that if they don't plan, their next summer job could be for the rest of their lives. Indeed, their first order of business should be to develop a marketable skill. Then they can become independent and self-supporting.

Consequently, they will never have to ask mother, father, brother, sister, church, or government to take care of them (we'd all come to their rescue, if truly needed). You see, now is the time for all good people to come to the aid of themselves. This is practical economics.

According to Henry J. Taylor, "*Imagination lit every lamp in this country, produced every*

Reinventing Ourselves Every Day

article we use, built every church, made every discovery, performed every act of kindness and progress, created more and better things for more people. It is the priceless ingredient for a better day."

No "onward and upward" from me; they know the direction. The world is not out there eagerly awaiting their talents; the world has gotten along just fine without them. All that our current graduates have is a one-year head start on next year's graduates. And this new crop must make the most of it, for a year from now there will be others after their job. It is so hard to convince young people of this old adage, "You don't get more until you do more than you get paid for."

There is a certain amount of fear of the unknown as our children grow up and graduate. There is always that concern and wonderment, "Is there life after graduation?" Very few people know the rules of life, and so they lay themselves open to pain. Time after time they spend most of life as spectators on the sideline just observing the game.

Louis Pasteur had this profound observation: "I hold the unconquerable belief that science and peace will triumph over ignorance and war, that nations will come together not to destroy but to construct, and

Reinventing Ourselves Every Day

that the future belongs to those who accomplish most for humanity."

I have always felt that the ideal vocation would be to pick something that we loved to do anyway as a hobby, if we were independently wealthy. Then, we can get really good at that and go out and find some organization that would be willing to pay us to do just that. Then, we would never really work another day in our life. That is, we wouldn't call it work at all.

Andrew Carnegie once put it this way: "If a man would eat, he must work. A life of elegant leisure is the life of an unworthy citizen. The republic does not owe him a living; it is he who owes the republic a life of usefulness. Such is the republican idea."

The story is related that one summer evening, when Thomas Edison returned home from his work, his wife said, "You have worked long enough without a rest. You must go on a vacation." "But where will I go?" he asked. "Decide where you would rather be than anywhere else on earth, and go there," was the answer. "Very well," promised Mr. Edison, "I will go tomorrow." The next morning he returned to his laboratory.

XVIII. POST-ELECTION ECONOMICS

According to the Greek mythology, Pandora, the first woman on earth, was given gifts by all the gods. One gift was a box which they warned her never to open. Not being able to resist her curiosity, Pandora raised the lid and all of life's troubles, sins, vices, and diseases immediately escaped. Pandora quickly closed the lid, preserving only "*hope*," mankind's last refuge.

The fine line that any president walks includes the fact that if he attempts too much too soon, he could short circuit the system and be patently unsuccessful. If he attempts too little, and doesn't take advantage of the honeymoon usually accorded to new presidents, a precious window of political opportunity would be lost. American presidents also tend to develop the attention span of a hummingbird after a while.

Our presidents have to keep alert to so many interest groups, with foreign and domestic agendas, which compete for the president's attention. Every administration also has warring factions even within its own Cabinet. This tends to chew up American presidents, age them prematurely, and frequently throws us into a cycle of one-term presidents. Think about it, only three presidents in the last half century have been afforded the luxury of a second term: Eisenhower, Reagan, and Clinton.

Post-Election Economics

This writer has gone on record stating economics is the only game in town. The concerns of the voting public this election year have pretty well proven that. Learning economics won't make us millionaires nor will it keep us out of the soup line. It will simply give us a better understanding of how we got there. Most in my profession would pragmatically prefer to be neither optimistic nor pessimistic, but rather correct.

In many ways America in general, and Americans specifically, are better off. In some other ways, both the country and Americans collectively are worse off. So, it has been neither the best of times nor the worst of times. Frankly, on several fronts, the economy is not as bad as some made it out to be. Nor is it as good as we would like it to be. It's a bit like the economist who, with one foot in the oven, and the other in the freezer, announced *"On the average, things are not too bad."*

Looking around the world, don't we Americans have much to feel good about? We are better off when looking at the reduced number of countries that are called Communist today. We are also better if we look at the reduced ratio of Federal employees to private sector employees. The per capita income gains of the last decade, in real dollar terms, have been healthy. The Dow Jones index saw a massive increase in the decade of the 1990's. Infant mortality

Post-Election Economics

has dropped significantly, and life expectancy is also up.

On the other hand, Americans pay more total dollars in taxes of all kinds now than 12 years ago. And yet, we still wonder how to get good government at a reasonable cost. There will be times in the next four years when the declared winner of the 2000 presidential election will plea, *"Why me?"* Conversely, there will also be times when the declared loser will privately exclaim, *"Could have been worse -- could have happened to me!"*

XIX. WHERE ARE WE HEADED?

The American economy is foursquare in the middle of a rebuilding binge that could run for two more decades. During this era of restructuring and implementing of new ideas, we will, in both goods and services, continue to be able to compete with any other nation in the world at a profit.

Is business in a new age? Yes! The best and brightest graduates now graduate toward businesses which foster personal growth. Now, the manager's new role is that of coach, teacher, and mentor.

The top-down management style is yielding to a networking, people-style of management. Entrepreneurship is revitalizing companies from the inside out. Large corporations are emulating the personal and productive qualities of small businesses.

One hundred years from now -- 50, 25, 10, 5 years from now -- America, and especially the Mid-South, will be the place to be. People all over the world will look to us for growth, stability, and the good life. Our life expectancy is up 40 percent in this century alone? We can expect to live fairly long lives, relatively free of pain, and die in good health (your mileage may vary).

Today, there are many questions on our minds. Even our National Anthem seems to end with a question mark:

Where Are We Headed?

*Oh, say does that star spangled
banner yet wave,
O'er the land of the free and the
home of the brave?*

The answer is a resounding, "Yes." Here are the rest of the lyrics of the last three verses of our National Anthem, courtesy of Francis Scott Key:

*On the shore, dimly seen through the
mists of the deep,
Where the foe's haughty host in
dread silence reposes.
What is that which the breeze, o'er
the towering steep,
As it fitfully blows, now conceals,
now discloses?
Now it catches the gleam of the
morning's first beam,
In full glory reflected now shines on
the stream:
'Tis the star-spangled
banner! O long may it
wave
O'er the land of the free and
the home of the brave!*

*And where is that band who so
vauntingly swore
That the havoc of war and the
battle's confusion
A home and a country should leave
us no more?
Their blood has washed out their foul
footsteps' pollution.*

Where Are We Headed?

*No refuge could save the hireling
and slave
From the terror of flight, or the gloom
of the grave:*

*And the star-spangled banner
in triumph doth wave
O'er the land of the free and
the home of the brave!*

*Oh! thus be it ever, when freemen
shall stand
Between their loved homes and the
war's desolation!
Blest with victory and peace, may the
heaven-rescued land
Praise the Power that hath made
and preserved us a nation.
Then conquer we must, for our
cause it is just,
And this be our motto: "In God is our
trust."
And the star-spangled banner in
triumph shall wave
O'er the land of the free and t h e
home of the brave!*

Yes, we are the oldest living republic. However, let's remember that our Constitution doesn't guarantee a good life, prosperous life, a happy life, or even a long life. It only offers the protection of life. We make of our lives what we will. We should bet on the long run future success of American capitalism. If we don't have a future, nobody does.

Where Are We Headed?

The past is prologue. Just what is at stake for the future of our land? Josiah Bailey said it best long ago:

The American Republic and American Business are Siamese Twins; they came out of the same womb at the same time; they are born in the same principles and when American business dies, the American Republic will die, and when the American Republic dies, American business will die.

EPILOGUE

What would a day in your life

be like -- WITHOUT the American Incentive System that we call Free, Private Enterprise?

7 a.m.

Time to start the day with a cup of coffee. There's only one brand. Quality's not too good, but you probably won't know that, since you've never had an opportunity to select from different brands competing for your taste preferences.

8 a.m.

Off to work. Many of the kinds of jobs you work at today won't exist, for there would be no incentive to risk money creating jobs if there were no opportunity to make a profit.

9 a.m.

Perhaps there's a meeting at work this morning to discuss productivity. No reward particularly for doing a better job, but remember there may not be lots of places where you can look for work, so you work harder, longer, without any real hope for significant improvement.

Epilogue

10 a.m.

You have a doctor's appointment. Although you may not need to bring any money -- you probably won't have much choice in who treats you -- or even in the quality of treatment.

12 noon

Lunch time. There's a restaurant not far away. Food's not particularly good and the menu has been the same for six months--but since there are very few choices, it really doesn't make a lot of difference.

3 p.m.

Time to pick up the kids. You're the only one on the block with a car. Oh, the Smiths ordered one eighteen months ago and they'll be able to help out when it comes in, but meanwhile. . .

7 p.m.

TV time. No advertising to interrupt your favorite program. In fact, there won't be too many favorite programs. Tonight there is a report on the benefits of the classless society.

Epilogue

11 p.m.

Bedtime, and you can't understand why you're always bored; no zest for life, never anything challenging to look forward to.

Is this an over-simplified version of life without the American Incentive System we call free, private enterprise? Too dramatic? Too pessimistic?

Perhaps, but before you answer, think about it a little while. Is the competitive system, free-choice, your right to decide for yourself what quality of life you wish for your family, how you will live, what you will buy, and what you will pay -- is freedom itself important to you?

Ask anyone who has lived under another system.

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This monograph draws on recent statistical reports and econometric abstracts from numerous commissions and development agencies. Many other sources have been consulted in the preparation of this material, and credit has been given to various sources as they were available. The Reference section also gives due credit and enables those who desire to do further study to consult those sources. If any such acknowledgments have been inadvertently omitted, the author would appreciate receiving information so that proper credit may be given in any future printings.

The author would also welcome knowing about any possible errors. Care has been taken to trace authorship of select quotes, with gratefulness to past writers and collectors for their preserving and supplying us with such a valuable literary heritage. As our planet rotates, every effort has been made to include only reliable information, thereby allowing us to continue to have another "*American Century*."

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