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Good News: The Bad News is Wrong, 1992

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GOOD NEWS



THE
BAD NEWS
IS
WRONG

by
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GOOD NEWS – THE BAD NEWS IS WRONG

by

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We interrupt 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 feed the world. There is too much negative talk about the economy. In fact, if Thomas Edison invented the lightbulb today, the television networks would scream "*Tragedy strikes the candle industry!*"

Is this the early 1930's all over again? No! There are many differences: Federal transfer payments provide a purchasing power "*floor*" to keep a recession from becoming a depression. The Fed isn't "*imploding*" the money supply as it did 1928-1932. Interest rates have fallen dramatically.

Today, there are no three-to-five-year mortgages with balloon payments. Investors are diversified today; there is a 50 percent stock market margin requirement, not 10 percent. There is no highly prohibitive tariff today, unlike 1931. Only 20 percent of GNP 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? Today, our trade deficit is lower than at any time in the last eight years. It only equals approximately two days of the American economy's output, and it doesn't include services--law, finance, tourism--in which Japan is a net buyer from the U.S. Thirteen percent of Arkansas' Gross State Product is international trade (50,000 jobs).

Arkansas is ninth in manufacturing intensity; most are recession-resistant industries. The number one manufacturing employer in Arkansas is food processing. In 1991, Arkansas was in the Top Ten nationally in percentage of growth in output, employment, and personal income.

PROGRESS ABOUNDS

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 54 percent in real terms on only nine percent more energy. We've doubled vehicle fleet mileage. The equipment in homes and factories is 30-60 percent more efficient.

We have had better efficiency gains than nearly every one of our Western trading partners. Oil now powers six percent of our electrical energy. It was 17 percent two decades ago. It is the Socialist economies which consume three times the energy per dollar of GNP.

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? Today, everywhere, we are 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.

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 are a growing trend to reduce risk, build expertise, and penetrate markets.

THE SCORECARD

What is the record as things stand today? With five percent of the world's population we create 25 percent of the world's GNP. Two percent of us grow enough food to feed 200 percent of our population. Our poverty level income exceeds the average Russian income. Our work week is 40 percent shorter than in 1900. There is a rise in entrepreneurship--often at a rate of 20 new business starts for every one failure. Today, 93 percent of us are working.

To match the most successful (former) socialist country's achievements (the late, not-so-great, USSR), what would we have to do? We would have to cut all the paychecks in America by 75 percent, send 60 million back to the farm (that's one-fourth 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.

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 is impressive, but it was America that created 33 percent more jobs in the last two decades. Japan's employment rose 16 percent 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 our largest export customer for American grains. And they are trying to tell us that Columbus actually sailed to the Americas on the *Pinta*, the *Nina*, and the *Santa Mitsubishi*? Really.

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

Living standards have improved dramatically. In the mid-1940s one-third of the nation's homes had no running water, two-fifths had no flush toilets, three fifths had no central heating and four-fifths were heated by coal or wood.

Regional poverty has dropped sharply. In the mid-1940s, average incomes in the South were about two-fifths of the national average. Today, Southern incomes have risen to four-fifths of the national average.

Retirement, once a privilege, has become a routine. In the late 1940's, about half of all men over 65 worked, while a quarter of the elderly lived with their children. Social security means that the elderly can be independent as well as retired.

In 1950, there were 61 accidents per 100,000 people. Today, it is 47 accidents per 100,000 people. Bladder cancers, which the experts say are the true measure of toxins in the ecology, are down in the last decade.

Any late breaking environmental news? In 1990, 875,000 people celebrated "*Earth Day*" in New York City and Washington, D.C. At the end of the day they left behind 161.3 tons of garbage! In 1970, environmentalists warned of "*New Ice Age.*" Today, using essentially the same data, they predict "*Global Warming!*" And yet, the earth's temperature has increased about one percent in the 20th Century, mostly before 1940.

WHERE ARE WE HEADED?

The American economy is on a rebuilding binge that will run for the next two decades. During this era of restructuring and implementing of new ideas, we will, in both goods and services, 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 ends with a question mark:

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

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.

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 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.

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? I mean, ulcers show that you care, but *"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 decade 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. 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.

Yes, there is too much negative talk about the economy. Of the last nine recessions, networks have predicted 15 of them. Why do they dwell on it? Because horror movies always 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!"*

It is not that recessions are bad--it is just that they hit at a time when a lot of people are out of work. We need to postpone them until times get better. Unemployment in the last recession peaked at 10.6 percent. That 50 percent higher than our March, 1991 rate of 7.1 percent. Sure, we all know some people who aren't working--but most of them have jobs.

There is still a silver lining in economic storm clouds. We still have the "*Grossest National 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).

THE BOTTOM LINE

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; 115 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 and get a life. Live long and prosper, but 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 rains, I ain't coming!

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.

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.

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.

The **ENTREPRENEUR** is a quarterly journal and newsletter addressing contemporary economic issues from a moral perspective. One may not agree with every word printed in the **ENTREPRENEUR** series, nor should feel he needs to do so. It is hoped that the reader will think about the points laid out in the publication, and then decide for himself.

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ABOUT THE AUTHOR

Dr. Don Diffinē is currently Professor of Economics at Harding University in Searcy, Arkansas, and Director of the Belden Center for Private Enterprise Education. The Senior Research Associate of Harding's American Studies Institute, Dr. Diffinē is also the Director of Economics Teams that have won First Place in national Students in Free Enterprise competitions on six occasions.

Listed in the Heritage Foundation's **Guide to Public Policy Experts**, Dr. Diffinē is the author of a 200-page **Facts Book for Business and Industry** and is published frequently in the **Journal of Private Enterprise**. He currently has over 60 articles and monographs in print.

Dr. Diffinē is the recipient of the Freedoms Foundation George Washington Honor Medal for his article *"All American Economics--Made in the U.S.A."* He is the editor of the **ENTREPRENEUR**, a journal that has received five Freedoms Foundation awards in the category of Non-profit Publications. In 1990, the National Flag Foundation presented its *"New Constellation Award"* to Dr. Diffinē for his booklet, **"TO THE FLAG--Our Banner of Liberty."**

The recipient of the \$7,500 Freedoms Foundation Principle Award for Excellence in Private Enterprise Education, Dr. Diffinē has received nine other Freedoms Foundation awards in the categories of Economic Education, Public Affairs-Advertising, Public Address, and Published Works. He is also the faculty winner of a \$1,000 First Place prize in a National Essay contest judged by Nobel Economist Milton Friedman.

In 1988, the First Annual Distinguished Scholar Award was presented to Dr. Diffinē by the Association of Private Enterprise Education. He is listed in **Personalities of the South** and **Outstanding Educators of America**. The Wal-Mart Foundation has designated him as a Free Enterprise Fellow.

Dr. Diffinē has provided Congressional testimony on business problems, economic impact statements, and inflation-recession dilemmas. Also an economic humorist, he is a frequent speaker for conventions, trade associations, stockholders' meetings, and chambers of commerce

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