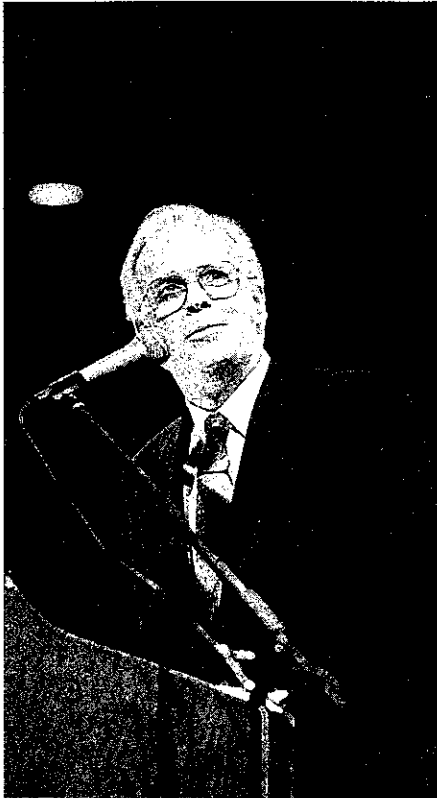


# ECONOMIC DIRECTIONS

A Publication of Saint Vincent College's Alex G. McKenna Economic Education Series

CENTER FOR ECONOMIC AND POLICY EDUCATION, SAINT VINCENT COLLEGE, LATROBE, PENNSYLVANIA

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## AMERICA: WHAT WENT RIGHT IN THE 1980s

*(The following paper was the basis of a lecture delivered by Dr. Richard B. McKenzie, Walter B. Gerken Professor of Enterprise and Society in the Graduate School of Management at the University of California, Irvine, at Saint Vincent College, Latrobe, Pennsylvania, on February 17, 1993. The lecture was the third presentation in the 1992-1993 Alex G. McKenna Economic Education Series of lectures on*

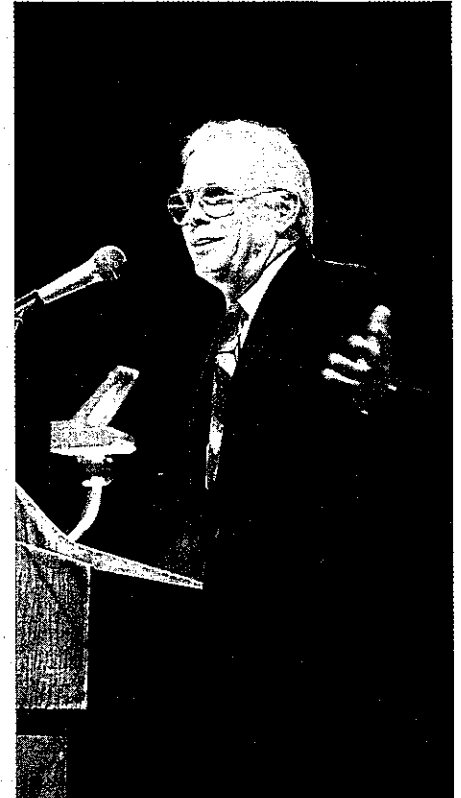


*election year topics. It is drawn from the author's book, America: What Went Right in the 1980s, that will be published by the Pacific Research Institute in June 1993.)*

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The 1980s gave birth to the second longest peacetime economic recovery in the United States since the Second World War. Yet, in the minds of many Americans, the 1980s were the antithesis of economic renewal. Like the 1920s, the decade of the 1980s was one of decadence. Like the 1930s, it was a period of pervasive economic retreat, of widespread retrogression for the country and the vast majority of its citizens -- or so we have been told and then reminded repeatedly.

Unlike the 1960s, many policy commentators have claimed that in the 1980s the competitive position of American firms and their workers was beaten back everywhere, at home and abroad. The decade gave birth to a new form of "robber



barons" -- Wall Street financiers, dubbed "paper entrepreneurs" -- whose newfound wealth detracted from national production and, at the same time, gave rise to the impoverishment of the poor and, more importantly (in the rhetoric of politicians), practically all of the middle class.

At the turn of the 1990s, many of these same policy commentators could be heard breathing a sigh of relief in the fondest hope that the 1990s would be radically different. Their hopes appeared to be greatly buoyed by the fact that Ronald Reagan, whom they blamed for almost everything that went wrong in the 1980s, would no longer be in command. With anyone else in the White House, the country could, just possibly, become a "kinder, gentler America," as well as a more productive and aggressive competitor.

But still, pessimism about the future persisted. The vision many people harbor of the 1980s was carefully crafted during the

decade by a continuing flow of economic pronouncements about the sorry state of the American economy that would, regrettably, only get worse — unless its domestic policy course were redirected, if not reversed. Such an overhaul, its advocates maintained, would necessitate greater government expenditures on social programs and more aid and protection for industries and their workers as they sought to cope with changing world circumstances. The policy cry became one of "tit for tat," with the industrial policies of "Japan, Inc." and "Germany, Inc." being confronted with a similarly aggressive agenda of reforms in this country under the banner of "U.S.A., Inc."

In spite of the foreboding prophecies, the recommended policy agenda was, for the most part, spurned by Democrats and Republicans alike. Nevertheless, the policy chant continues in the 1990s with ever more threatening assessments of the country's economic state and its likely dismal future. Before the recommended reform agenda, articulated under the rubric of a "new industrial policy," is seriously considered — again — as a remedy for the presumed "American disease," the rhetoric of economic destruction, decadence, and decline must be evaluated in the dim light of the claims that were made during the decade and in the bright light of the realities of the evolving economic conditions in the country.

Such an evaluation reveals that the realities of the American economy during the decade stand in sharp contrast with

the rhetoric. While the decade of the 1980s failed to match most Americans' fondest dreams and hopes for economic gains, it was still the most prosperous decade in recorded American history. It was hardly a decade of wanton destruction, decadence, and decline.

*More accurately, the decade of the 1980s was one of renewed industrial competitiveness and modest growth and equally modest economic gains for most Americans, with both many rich and many poor people making substantial economic gains and facing significant economic hardship.*

On the contrary, sober consideration of the details of what actually happened shows that the decade was "none of the above." More accurately, the decade of the 1980s was one of renewed industrial competitiveness and modest growth and equally modest economic gains for most Americans, with both many rich and many poor people making substantial economic gains and facing significant economic hardship, which has generally been the case through the millenniums. As opposed to the country's production declining relative to the rest of the world, the country held its own. As opposed to becoming self-indulgent and obsessed with the so-called social theology of "me-ism" on a broad scale, Americans increased their charitable giving at an unprecedented rate.

In general, the country did not fare too badly during the decade, thank you.

### The Rhetoric and Reality Surrounding the "Deindustrialization of America"

Policy debates during the late 1970s were often filled with mournful discussions of

"economic malaise" or stagnation, or even more descriptively, "stagflation," meaning high inflation with slow or no economic growth. Indeed, during the late 1970s, inflation was high by historical standards, reaching, almost year after year, higher and higher peaks. Economic growth was slowed as productivity growth fell, in several years, to close to zero, attributable in part to the OPEC embargoes and U.S. energy policies that held down the rise in the prices of energy and thereby restrained further the growth in energy supplies. The Dow Jones industrial average index stood at 860 at the start of 1980, less than 80 points (or 10 percent) above the start of 1970.

Public commentaries concerning the fate of the U.S. economy began to take on a more foreboding tone after the turn of the decade, especially after the advent of the 1981-1982 recession, which was itself caused, to a considerable extent, by the harsh anti-inflation policies that the Federal Reserve adopted in late 1979. Harvard Business School Professor George Lodge warned that the country was beset with a peculiarly "American disease" (a phrase obviously intended to equate American problems with Great Britain and its "British disease") opening his 1984 book on the subject with a dreadful assessment:

*The cold winter of 1982 brought home to America the realization that our economy, once the wonder of the world, was failing. The power and efficiency of the industrial system, which since World War II had been taken for granted, was eroding. The United States was aware, for the first time, of losing ground in the competitive race with other developed nations.*

Now that the history of the decade is behind us, what did happen? Well, we know that proposals for a national industrial policy went down in flaming defeat in the 1984 election with Walter Mondale, who had made such policies the hallmark of his campaign. Moreover, the economy did not continue on the economic skids, as had been forcefully predicted. Instead, economic growth rebounded. Total employment went up by 19 million between 1980 and 1990, in spite of all the talk about jobs being destroyed.

Industrial production continued upward. Data showed a continuing rise in inflation-adjusted or real gross national product (GNP). Indeed, between 1980 and 1990, real GNP expanded by 30 percent. Real per capita GNP expanded by 18 percent, and economic growth began to accelerate at about the same time many of the initial dreadful predictions were reaching print in the very early 1980s.

Did the country deindustrialize? Hardly. The overall industrial production index



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Associate Professor of Economics

Mr. Lee J. Weissert  
Instructor in Economics

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**MELLON OFFICIAL INTRODUCES LECTURER** — Ms. Cheryl Juhasz, (second from left) Latrobe Market Manager for Mellon Bank NA, introduced Dr. McKenzie (second from right) at the lecture. With them are Mr. Dan Carroll (left), vice president of Mellon Bank and Dr. Gary Quinlivan (right), executive director of the Center for Economic and Policy Education which hosts the lectures at Saint Vincent.

rose in line with GNP, by 29 percent between January 1980 and September 1990 (just prior to the start of the current recession). Contrary to all the predictions of demise in U.S. manufacturing, the manufacturing index rose absolutely and relatively, by 36 percent during the same period.

#### **The Rhetoric and Reality Surrounding the Relative "Decline of America"**

With their deindustrialization fears dashed by the continuing expansion and without ever acknowledging the errors in their previous claims, the Chicken Littles of the country began in the mid-1980s to twist, albeit judiciously, their foreboding prophecies. The country was, they professed, in long-term economic decline, not so much absolutely (it clearly was not) but relatively -- that is, when compared to the rest of the world. The collapse of communism and the current efforts of former Soviet Union republics and the former Eastern Bloc countries to duplicate the market system of the United States speaks volumes about the misguided predictions of the harbingers of the decline thesis, but U.S. political successes obscured the economic tumble of the country in the world economy, or so it has been argued.

Daniel Sharp, president of the American Assembly, wrote without qualification, "America can't compete." The chief evidence offered was the huge balance of trade deficits and the failure of the falling dollar to materially reduce the deficits. Joel Kurtzman warned that the United States needed to alter its economic course, principally through national planning, in order to "end the steep decline of our nation so that we can once again assume our position at the helm of the world's

economy." "The saddest outcome of all," wrote Harvard University economist Benjamin Friedman, "would be for America's decline to go on, but to go on so gradually that by the time the members of the next generation are old enough to begin asking who was responsible for their diminished circumstances, they will not even know what they have lost."

According to Professor Paul Kennedy, the relative decline of the United States was apparent in its declining share of world gross national product (especially the manufactured goods component), lost industrial jobs, growing trade imbalance, and in the shrinking share of world trade dominated by United States producers. Indeed, as Kennedy reported, U.S. production relative to the rest of the world was in decline, given the limited number of years for which data was cited. For example, in 1945, the United States accounted for approximately half of the world's aggregate production. By 1960, the expected economic recovery of war-torn countries had lowered the United States' share to 44 percent; and by 1970, the U.S. share was down to 38 percent. By the early 1980s, when Kennedy must have started writing his tract, it had fallen even further, to 32 percent, which caused Kennedy to claim, "It was still falling."

Real gross national product for the U.S. and world (excluding the U.S.) as computed and reported by the Central Intelligence Agency (a principal data source of the studies cited by Professor Kennedy) does indeed show an expansion of world and U.S. real GNP. However, when U.S. GNP is computed as a percent of GNP in the rest of the world (world GNP minus U.S. GNP), assessments of long-term economic decline become far more



**WELCOME** — Greeting Dr. McKenzie (center) to Saint Vincent College were Raymond M. Hrin, a senior Economics major from Johnstown, Pennsylvania and Philip J. McGivney, a senior Economics major from Lilly (Cambria County), Pennsylvania.

tenuous, if not totally premature. U.S. GNP as a percentage of GNP for the rest of the world falls from 1960 through the mid-1970s. But, somewhere around 1975, U.S. GNP relative to the rest of the world began to level off, holding close to a 34 percent share in 1975 and 1980, only to fall off to under 32 percent in 1982. What may be startling is that in the mid- and late-1980s, U.S. national production relative to the rest of the world began to rise somewhat, reaching a peak of over 34 percent in 1988 (and remaining just under 34 percent in 1990).

#### **The Rhetoric and Reality Surrounding the "Great U-Turn" in Worker Wages**

All of the cheery economic news notwithstanding, Professors Bluestone and Harrison returned to print in 1988 with a slightly augmented beat on their dismal analytical drum. They published a new treatise called *The Great U-Turn* in which they more carefully explained how the American economy had, beginning in the early 1970s, begun to make a U-Turn on the road of economic progress. Professors Bluestone and Harrison open their book with a foreboding claim, "The standard of living of American workers -- and a growing number of their families -- is in serious trouble. For every affluent 'yuppie' in an expensive big-city condominium, . . . there are many more people whose wages have fallen and whose families are finding it more and more difficult to make ends meet." The evidence, Bluestone and Harrison argued, demands that the country "turn back toward greater planning and away from the treacherous path of laissez-faire."

Professors Bluestone and Harrison found that the real (inflation-adjusted to 1990 prices) average worker wage did rise by 28 percent from 1959 (\$9.07) to 1973 (\$11.60),

after which it fell irregularly by 14 percent, or to \$10.02, over the following 17-year span. There is something of an inverted "u" in the data.

In order to properly evaluate the Bluestone/Harrison thesis, the data must be correctly adjusted for inflation in some consistent manner. However, the consumer price index that Bluestone and Harrison use is inconsistent. If workers' average real wages are computed using this experimental price index, dubbed the CPI-X, the "u" in the Bluestone/Harrison "u-turn" is not so "great." Still, there remains some decline in worker real wages, from \$11.02 in 1978 to \$10.02 in 1990, for a decline of about 9 percent.

The income paradox can, however, be partially explained by another form of income redistribution, a shift in the form earnings are received -- from worker money wages to worker nonmoney benefits (employer contributions to social insurance, health and life insurance, retirement, vacation days, as well as many other identified worker fringe benefits, popularly called "fringes"). Nonwage compensation as a percent of wages and salaries rose dramatically in the 1960s and 1970s, from just under 9 percent in 1960 to nearly 21 percent in 1990. The fact of the matter is that workers were gradually taking a larger share of their earnings in nonmoney forms -- understandably so. Fringe benefits are often non-taxable forms of income.

At the same time, the "average hourly wage" remains defective as a measure of the incomes of American workers, mainly because the wages of 20 or so percent of American workers is not included. If total worker compensation (including all money and nonmoney benefits) in all forms of all workers are computed on an average hourly basis and adjusted for inflation via the CPI-X, the widely advertised "great u-turn" evaporates totally. Probably to the dismay (and regret) of many "dismal scientists," that data reveals that average worker welfare has continued to march upward. Total compensation per hour was \$9.61 in 1959, \$14.58 in 1973, \$15.53 in 1978, and (after peaking at \$16.60 in 1987) \$16.25 in 1990. (Wage growth is indicated by a rise in a computed index from 1.0 in 1959 to 1.52 in 1973, to 1.62 in 1978, and 1.69 in 1990.)

#### The Rhetoric and Reality Surrounding the "Decade of Greed"

Greed has been a problem since at least biblical times. Nevertheless, policy critics have maintained that greed was unabashedly fostered during the 1980s by the Reagan administration, intent on lowering tax rates to encourage excessive ostentatious consumption among the administration's principal supporters. Worrying that the 1990s would be the decade in

which the bills of the 1980s would come due, *Time* magazine reporter Otto Friedrich declared, "The past decade brought growth, avarice and an anything goes attitude," and then later glibly summarized the 1980s with five words, "Get rich, borrow, spend, enjoy," suggesting that the dealings of Ivan Boesky, "the diaper king of arbitrage," epitomized the wanton ways of a whole decade.

Claims of pervasive greed in the 1980s can be most easily assessed with reference to Americans' charitable contributions. Such an assessment reveals that Americans have always given a modest fraction of their incomes to charitable causes.

Yes, Americans were unusually generous in the 1980s no matter how the record is measured. Total charitable contributions -- by living individuals, bequests, corporations, and foundations -- more than doubled in 1990 dollars, increasing from \$34.5 billion in 1955 to \$77.5 billion in 1980, or at a compounded annual growth rate of 3.3 percent. Between 1980 and 1989, total giving in real dollars expanded by 56 percent to \$121 billion, or by a compound annual growth rate of 5.1 percent. The yearly rate of growth in total giving in the 1980s was nearly 55 percent higher than in the previous 25 years.

Critics might complain that the growth in private generosity in the 1980s was a product of the growth in income or represented a continuation of the long-term upward trend in giving. Econometric analysis of the giving data refutes this view, however. Annual total giving in constant dollars was, on average, more than \$14 billion, or 16 percent, higher during the 1980s than would have been predicted from the philanthropic pattern of the late-1950s, 1960s, and 1970s.

#### The Rhetoric and Reality Surrounding on the "Fortunate Fifth"

In their defense of "America's misunderstood welfare state," Yale Professors Theodore Marmor and Jerry Mashaw and New York Attorney Philip Harvey announced that the country's "economic story is easily told." Their story is told with what have come to be standard charts of the median family income first rising more or less steadily from 1947 to the early 1970s and then flattening out and thereafter turning downward. Marmor, Mashaw, and Harvey also make confident claims regarding the "increasing gap between the wealthiest and the poorer segments of society" that, along with a host of other problems, "continue to undermine the public's sense of well-being." In the more descriptive words of Greg Duncan, Timothy Smeeding, and Willard Rodgers in a study for the Levy Institute on Income Inequality, "the rising tide of economic

growth in the 1980s appears to have lifted the yachts, but neither the tugboats nor the rowboats." Robert Reich reckons that only the "most fortunate fifth" of workers, composed principally of "symbolic analysts" (who are involved in data and word manipulation) have been sheltered from foreign competition and have been in sufficiently high demand to exact higher real wages, or so Reich maintains.

Fortunately, the reality of the changing income distribution is far more complicated than the modern prophets of gloom would have us believe. As rarely conceded, the real median family income began to rebound after 1982. Moreover, this measure of the real median is defective in three key ways: (1) as already noted, the method for computing the CPI was changed in 1983, the effect of which was to obscure the growth in real incomes (or to accentuate the decline); (2) the average family size fell by 17 percent between 1970 and 1986; and (3), again as indicated earlier, fringe benefits and other wage supplements, which are not counted as family income, expanded from 12 percent of total wages and salaries in 1970 to 20 percent in 1986 (the latest year for which the adjusted data is available).

Researchers at the Congressional Budget Office have determined that when the real median income is recomputed with the CPI-X and adjusted for the economies associated with smaller families, the real median family income trends upward, rising by 20 percent between 1970 and 1986. When real median income is further adjusted to account, in a rough way, for the growth in nonwage income, the rise during this period may be over 28 percent.

While such revised data seriously undercuts the critics' empirical props, they have a ready-made comeback: The median rose only because the rising economic tide "lifted the yachts, but neither the tugboats nor the rowboats."

Overall, the critics have been right in stressing that the rich have gotten richer, but they are way off base to suggest that

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## About the Series

*The Alex G. McKenna Economic Education Series is presented by the Center for Economic and Policy Education at Saint Vincent College. These periodic lectures are open to the general public and their purpose is to explore the role of free markets in solving many of the social problems confronting the United States and the world today. Dr. Gary M. Quinlivan, associate professor of economics at Saint Vincent, directs the series.*

*The Alex G. McKenna Economic Education Series is made possible by a grant from the Philip M. McKenna Foundation Inc. of Latrobe, Pennsylvania.*

the rich were always rich during the 1980s or became richer at the expense of the rest of the population or that their riches were all ill-gotten or undeserved. It is far more accurate to say that in the 1980s many rich and not-so-rich Americans got richer faster than other Americans. Some Americans in all quintiles fell behind. Both ends of the income distribution were contributing to the economic improvement of the other. Income growth was trickling in all directions, not just down or up the income distribution.

Was the federal tax burden redistributed during the decade? The answer is "yes" and "no," depending on the data series cited and which taxes are included. Federal income tax rates were lowered across the board, but many exemptions were eliminated. At the same time, social security taxes, which tend to be particularly onerous to lower income groups, were persistently raised during the decades, with higher and higher rates paid by employees and employers on gradually higher incomes. On balance, when considering all federal taxes collected directly from individuals, the tax burden of the fifth of families with the lowest incomes went from 8.1 percent of their incomes in 1980 to 10.3 percent in 1985 to 9.3 percent in 1988 to 8.6 percent in 1992 (the only years given by the source). The second lowest fifth stayed within the narrow range of 15.6 and 15.9 percent in those years.

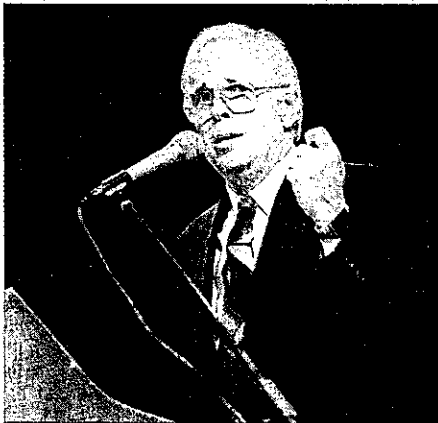
Similarly, the middle fifth stayed within the narrow range of 19.1 and 19.8 percent, with no apparent up or down trend over the 1980-1992 period. The second-from-the-highest fifth declined slightly from 22.9 percent in 1980 to 22.4 percent in 1988 to 22.2 percent in 1992. The average for the highest fifth fell from 27.5 percent in 1980 to 24.1 percent in 1985, but then trended upward to 26 percent in 1988 and to 26.8 percent in 1992.

Throughout the decade real federal tax collections trended upward in absolute terms. They represented 19.4 percent of gross national product in 1980 and 19.6 percent in 1990 (after falling to 18.1 percent in 1984). The lower four quintiles of families each tended to cover a slightly shrinking share of the growing tax burden. Between 1980 and 1992, the share of all federal taxes paid by the lowest quintile of families went from 1.6 percent in 1980 to 1.3 percent in 1992. The share of the second quintile dropped from 6.9 percent to 6 percent between 1980 and 1992. The middle quintile dropped from 13.2 percent to 12.1 percent. The fourth quintile's share dropped from 22.1 percent to 20 percent. On the other hand, the share paid by the highest quintile of families rose from 56.1 percent in 1980 to 60.5 percent in 1992, mainly because of the quintiles relative income growth.

### The Rhetoric and Reality Surrounding Consumer Expenditures

Critics of the nation's income distribution are convinced the poor deserve more than they are getting, and they often fortify their position with reams of data. However, data on the nation's actual distribution of consumer expenditures in the 1980s reveals that the "poor" are consuming far more than they earn. This fact alone indicates that many of the "poor" on whom the critics focus so much of their concern are far better off than is widely believed.

Granted, as repeatedly reported by the critics, the poorest fifth of households receives less than 5 percent of the nation's income as measured by the Census Bureau and less than 4 percent of the nation's income as measured by the



*"Correcting distorted impressions is crucial; the course of public policy hinges on it."*

Bureau of Labor Statistics (BLS). To many, these figures suggest that a fifth of all Americans live in dire poverty. And, on average, the poorest fifth received a paltry sum of \$3,587 per household in before-tax income in 1989 (the latest year of available consistent data), as measured by the BLS.

However, in 1989, households in this poorest fifth managed, somehow, to spend, on average, more than twice the reported average income within that fifth. Admittedly, 1989 was something of a fluke. In the earlier years of the decade, the poor had spent an even greater multiple of their income. In 1984 (the earliest year of available consistent data), the poorest fifth's average expenditures were nearly three-and-a-half times its average income.

The reason for the decline in the poor's

relative expenditures between 1984 and 1989 was not that their expenditures fell. No, their expenditures in constant dollars rose -- meaning the "poor" did, indeed, get richer on average during the 1980s.

The lesson to be learned from the expenditure data: the expenditure distribution in the country is far more even than the income distribution, and for many good reasons. One of the best explanations is that a sizeable share of the poor fall into poverty for only a very short period of time, as measured by their current reported income. Over 40 percent remained in the category less than a year. Many are also elderly who have reached the "dissaving" phase of their planned life cycle of earning and spending. Moreover, as a recent Treasury study of tax returns reveals, people's decade-long (and probably their lifetime) incomes, on which many expenditures are planned and timed, are significantly more even than the distribution of incomes taken year to year.

### The Rhetoric and Reality Surrounding the "Dance with the Debt Devil"

Many policy critics are convinced they are right when they denounce the 1980s as the "decade of debt." That familiar refrain may be right when applied to public debt, but misguided when applied to private debt.

Journalists have been working diligently to create a sense of debt crisis. *Newsweek* characterized the 1980s as the "Buy Now, Pay Later" decade. *U.S. News and World Report* called the 1980s a "dance with the debt devil," while still another wrote about the 1980s as a "debt binge," stressing that the battle cry of the decade could be captured in two words -- "Charge It!"

Everyone now knows that debt accumulation was out of control during the 1980s and that, as a consequence, the 1990s will be lean years of retrenchment. But "everyone" is, once, again, likely to be proven wrong.

Clearly, some Americans abused credit during the 1980s and are now suffering the consequences. Nevertheless, for several reasons critics of private debt accumulation are off base in their sweeping characterization of the 1980s and the "decade of debt."

First, the compound rate of growth in real total debt of the nonfinancial sector for the 1980s (5.42 percent) was 12 percent below the growth rate for the 1950s (6.15 percent), a decade many critics remember with fondness. If there has been a "decade of debt" in the post-war era, it was the 1950s, not the 1980s.

Second, while real total assets of the private nonfinancial sector grew by 27

percent, which obviously was less than the percentage increase in debt, the \$7-trillion increase in the value of assets in constant (1990) dollars was almost twice the increase in the real value of private debt. The growth in real assets increased Americans' ability to assume more debt, and the additional debt enabled Americans to accumulate more assets. As a consequence, Americans' total private net worth in constant (1990) dollars (consolidated assets minus consolidated liabilities) increased by \$2.1 trillion (or by over 14 percent) from \$14.5 trillion in 1980 to \$16.6 trillion in 1990. That gain is hardly praiseworthy by post-war standards, but on the other hand, the gain stands in sharp contrast to dismal intimations of retrenchment.

Finally, the ratio of total private debt to total private assets rose steadily from 1947 to 1973. Price controls, energy crises (initiated by OPEC and aggravated by U.S. government energy policies), and accelerating inflation rates during the 1970s were three forces that probably contributed to the abrupt truncation of the upward trend after 1973. With the future course of economic events uncertain for the remainder of the 1970s, Americans understandably began curbing the growth of their debts in real dollars and relative to assets. After inflation was throttled, energy and credit controls were largely abandoned, and the recovery began in the early 1980s, Americans once again began building their debt totals relative to assets.

The data showed that Americans only appeared to be building their debt load at an exceptionally high rate in the 1980s. What they were actually doing was, first, attempting to quickly restore the debt-to-asset ratios achieved in 1973 (which explains 58 percent of the rise in real debts in the 1980s) and then, second, seeking

to return to the upward trend in their debt-to-asset ratios established prior to 1973. While extending trends has obvious pitfalls, it is instructive to note that the actual overall debt-to-asset ratio in 1990 remained below what it would have been had the 1947-1973 trend continued unabated.

#### Concluding Comments

Hoover Institute economist Thomas Sowell is reported to have once quipped that "reality is tricky." Indeed, it is. Regrettably, a host of critics of the 1980s have played tricks on their audiences by pretending that reality is as simple as they say it is. Most of these critics have had some of the facts correct. Otherwise, they would never have been taken seriously. The mistake they have made all too often is not getting all of the facts and in pretending that their limited arsenal of facts tell the whole story of the 1980s. They have managed, however, to distort the impression many Americans have of the recent history they have lived. Correcting distorted impressions is crucial; the course of public policy hinges on it.

The 1980s were not the best of times; they could have been better — and would have been better if the decade's built-up inflationary pressures did not have to be throttled at the start. But neither were they the worst of times, as we have too often been wrongfully told. On the other hand, it was a decade when the Chicken Littles of policy circles invariably followed their grossly distorted warnings of economic calamity with a preconceived prescription for relief that seemed to direct, rather than to be derived from, their analysis: greater federal involvement in the economic affairs of Americans, more federal regulations and management of internal and external trade, and expanded federal planning.

Fortunately, with the reality of the 1980s failing to match the dismal predictions and with the whole of Eastern Europe and the republics of the former Soviet Union seeking to escape as much as possible from the clutches of government controls, the Chicken Littles' social agenda remains a vision in search of empirical justification.

#### Center Announcements

On May 12, 1993, the Center will host a luncheon at the Duquesne Club in Pittsburgh. Our speaker will be Dr. Norman J. Ornstein, Resident Scholar at the American Enterprise Institute. His lecture is "The First One Hundred Days of the Clinton Administration."

On September 29, 1993, the Center will host a conference entitled "A Clergy-Business Dialogue on Economics and Policy." Participants include Don Eberly, President of the Commonwealth Foundation ("Emerging Issues and Political Trends and their Moral Consequences"); Dr. Bruce Bickel, Vice President and Manager of the Charitable/Institutional Trust Department at PNC Bank ("What Business People Need to Know About Christian Ethics"); and Dr. Kurt Rethwish, professor of economics at Duquesne University ("Good Intentions Are Not Good Enough: Reacting to Economic Issues"). The keynote speaker will be Fr. Robert Sirico, President of the Acton Institute ("A Christian Philosophy of Economics").

The 1993/94 Alex G. McKenna Economic Education lecturers will be Dr. Michael Parkin, University of Western Ontario (October 20, 1993); Dr. Burton G. Malkiel, Princeton University (November 17, 1993); Dr. Karen I. Vaughn, George Mason University (February 16, 1994); and Dr. Frederick S. Mishkin, Columbia University (March 25, 1994).



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