ECONOMICS, LABOR, & BUSINESS

Looking Again At the 1970s

"The Myth of America's Economic Decline" by John E. Schwarz and Thomas J. Volgy, in *Harvard Business Review* (Oct. 1985), Harvard Univ. Graduate School of Business Administration, Boston, Mass. 02163.

According to the conventional wisdom, America's economy slumped during the 1970s: Falling prey to high rates of interest, unemployment, and inflation, American industries stagnated.

Not quite, say Schwarz and Volgy, political scientists at the University of Arizona. They argue that America's troubles were "misdiagnosed," that "we confused the symptoms of an economy hard at work with those of an economy gravely ill."

Absorbing a surge of nearly 25 million entrants into the labor force and a near quadrupling of oil prices in 10 years, the U.S. economy performed well. In contrast to the "much admired" 1950s, the 1970s saw the creation of twice as many new jobs (26 percent versus 13 percent) and higher growth in real per capita income (22 percent versus 16 percent). Investment drew a greater percentage of the gross national product from 1970 to 1980 (16.1 percent) than from 1950 to 1960 (15.8 percent). U.S. manufacturing productivity during the 1970s grew faster than during the 1950s.

In short, Schwarz and Volgy maintain, during the Nixon–Ford–Carter era America was in the midst of a "marathon," not a "heart attack."

Moreover, even in recession, the United States kept pace with other nations throughout the 1970s. While Japan led with a 43.4 percent expansion of industry, America followed with 41.5 percent. France, West Germany, and the United Kingdom all lagged behind, with growth rates of 34.2 percent, 24.5 percent, and 18.5 percent, respectively.

Thus, say the authors, the Reagan administration's claim that it saved the economy in 1981–84 should not be swallowed whole. After adjusting for the oil price hikes of 1973 and 1979, the authors find that annual inflation during the past decade would have been roughly the same as it is now (3.2 percent). Moreover, the number of people entering the labor force today is 25 percent lower than it was 10 years ago. If today's economy were forced to absorb a work force growing at a 1970s' clip, the current unemployment rate, now around 7.1 percent, would "certainly exceed eight percent."

SOCIETY

Value in Virtue

"The Rediscovery of Character: Private Virtue and Public Policy" by James Q. Wilson, in *The Public Interest* (Fall 1985), 10 East 53rd St., New York, N.Y. 10022.

Exactly what role government social programs should play in American society has never been wholly resolved. Wilson, a Harvard sociologist, contends that many Americans would like those programs to help develop

"character in the citizenry."

This more "traditional" (i.e., European) view of government is somewhat at odds with the principles of America's founding fathers—namely, that people are born with a "human nature," which prospers when given enough "personal liberty."

Yet Americans increasingly have come to favor the notion that "in almost every area of important public concern, we [must seek] to induce persons to act virtuously," Wilson writes. "Not only is such conduct desirable in its own right, it appears now to be necessary if large improvements are to be made in those matters we consider problems: schooling, welfare, crime, and public finance."

Studies by Michael Rutter in 1979 (*Fifteen Thousand Hours*) and James Coleman in 1982 (*High School Achievement*) demonstrated to Americans that schools can—and therefore should—instill discipline and responsible behavior in their students. And America's welfare programs have been scrutinized in an effort to alter their negative incentives. Studies of the Aid to Families with Dependent Children (AFDC) program suggest that households receiving guaranteed annual incomes broke up more often than those that did not (36 percent higher for white families, 42 percent higher for black ones). Also noteworthy is the fact that men receiving cash benefits lessened their working hours by nine percent, women lowered theirs by 20 percent, and young males without families cut theirs by 43 percent. Meanwhile, the stigma once attached to being on welfare seems to have evaporated. In 1967, 63 percent of all persons eligible for AFDC signed up; by 1970, the percentage was 91.

What link is there among these disparate events? "The character of a significant number of persons changed," says Wilson.

The erosion of moral precepts is evident too in the U.S. legislature, Wilson maintains. Whereas borrowing heavily and squandering capital were once thought to be morally wrong, nowadays they are business-as-usual. Wilson even goes so far as to suggest that economist John Maynard Keynes (1883–1946) was a "moral revolutionary," shattering the traditional constraints on deficit spending.

"Virtue is not learned by precept," Wilson concludes. "It is learned by the regular repetition of right actions," especially among the young, whose characters are still forming. This notion—which Wilson attributes to Aristotle—is regaining favor in America. Its payoff will be evident in the long run, he says, since "the public interest depends on private virtue."

Home Again

"The New Homemakers" by Cheryl Russell, in *American Demographics* (Oct. 1985), P.O. Box 68, Ithaca, N.Y. 14851.

As the 1980s take the "baby-boom" generation closer to middle age, America is once again becoming a "nation of homebodies"—with a difference.

So says Russell, the editor of *American Demographics.* Within a decade, three-quarters of all "baby-boomers" (the roughly 26 million Americans born between 1954 and 1960) will be married, most will have children, and two-thirds will own homes.