

ISSUES IN PERSPECTIVE

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PERSPECTIVE NUMBER ONE

America in the Early 21st Century: An Assessment

With the ongoing financial struggles of the American economy (e.g., high unemployment, a stagnant stock market and the credit downgrading by Standard and Poor's), Asia (especially China) is gloating. Furthermore, many are now suggesting that America is no longer the world's leading economic giant but, rather, a declining one. In this *Perspective*, I hope to address this very question and assess the state of America in the early 21st century.

- First, Asia does indeed seem to be entering a period of triumphalism. Let me explain. As soon as America's credit rating was downgraded, China (America's largest creditor) launched its first aircraft-carrier out to sea. Although coincidental, the timing was a metaphor for what is occurring on the world scene: Asia is an emerging model of steady, consistent economic policy and sustained growth; America, Europe and Japan are mired in debt, slow growth and even recession. The perception worldwide is that the West is in decline and China is in ascendance. Indeed, the IMF recently forecast that China's economy, adjusted for purchasing power, will be larger than America's by the end of 2016. A recent Pew Global Attitudes Survey confirmed this perception with a majority of respondents in the UK and China stating that China will eventually replace America as the world's superpower. Even 46% of Americans believe that! But is this correct? The Economist wisely cautions against such dire predictions. It suggests three caveats: (1) The economic woes of the West are also those of the East. Slow growth in America will affect economic prospects in Asia as well. "Asia, too, is addicted to American debt, in so far as this finances imports from Asia, which then invests some of the proceeds back in America." (2) Many Asian nations are suffering from serious problems of their own. Of the three largest, Indonesia and India, especially, are facing crises of confidence over their own government's failure to deal with corruption at the heart of their political systems. Even China is facing political protests as the recent high speed trains crash demonstrated. (3) Asian triumphalism is rather premature. Western consumers remain large contributors to Asian growth. American defense spending absolutely dwarfs China's. No matter which projection one follows, China will still be, per capita, less than half as wealthy as America. In short, there is no doubt that Asia (especially China) is in ascendance, but it is premature to conclude that China will surpass America in all categories. That is an unwarranted conclusion. See *The Economist* (20 August 2011), p. 42.
- Second, our world is undergoing one of the most revolutionary periods of change in history. The nature of that change is fundamentally technological. Let me explain. As columnist Tom Friedman has suggested, globalization and information technology have combined to produce a systemic change in how the world connects and communicates. He writes:

“Thanks to cloud computing, robotics, 3G wireless connectivity, Skype, Facebook, Google, LinkedIn, Twitter, the iPad, and cheap Internet-enabled smartphones, the world has gone from connected to hyper-connected.” This set of developments is probably the single most important trend in our world today. Friedman goes on to argue that “the merger of globalization and IT is driving huge productivity gains, especially in recessionary times, where employers are finding it easier, cheaper and more necessary than ever to replace labor with machines, computers, robots and talented foreign workers. It used to be that only cheap foreign manual labor was easily available; now cheap foreign genius is easily available. This explains why workers are often poorer. Good jobs do exist, but they require more education and technical skills.” Another effect of this combination of globalization and IT is the “super-empowering of individuals, enabling them to challenge hierarchies and traditional authority figures—from business to science to government.” This also enables the creation of powerful minorities and making governing harder and minority rule easier. A synopsis of this reality is simple but profound: We are increasingly taking easy credit, routine work and government jobs and entitlements away from the middle class—at a time when it takes more skill to get and hold a decent job, at a time when citizens have more access to media to organize, protest and challenge authority and at a time when this same merger of globalization and IT is creating huge wages for people with global skills. . . thus widening income gaps and fueling resentments even more. See Friedman’s essay in the *New York Times* (14 August 2011).

- Third, it is important to think critically about several key assumptions about the American economy. Michael Barone, resident fellow at the American Enterprise Institute, has commented extensively on the contrasting models of America’s economy and the role of the state in these models. He contrasts Michigan and Texas. The political economy of Michigan, from the perspective of history, is most instructive: Originally, the Midwest’s economy was built on its agriculture; only later did it develop its industrial base. The migration from farm to factory occurred between 1890 and 1970. Barone chooses Michigan as an archetype of this Midwest model: “This Michigan model was based on the Progressive / New Deal assumption that, after the transition from farm to factory, the best way to secure growth was through big companies and big labor unions.” Especially among the Big Three auto companies, we saw this model manifested. These three corporations created demand for their products through advertising and “planned obsolescence” and the United Auto Workers ensured that productivity gains were shared by workers. Nearly 40% of Michigan voters lived in UAW households and constituted the base vote of the liberal Democratic Party. Liberalism in that period (1960s through the 1990s) saw Michigan as the wave of the future: Huge corporations and powerful labor unions. The corollary to this assumption was that backward states such as Texas would see the light and “catch up.” What happened? In 1970, Michigan had 9 million people, while in 2010 it had 10 million. In contrast, Texas in 1970 had 10 million people and in 2010 it had 25 million. In 1970, Detroit was the 5th largest metro area in the nation. Today, Dallas-Fort Worth is about to surpass San Francisco as the 4th largest metropolis in the nation. Detroit is far behind! One must confront the truth that adversarial labor unions helped bring about this remarkable decline (and one must conclude failure of) the Michigan model. As a result of adversarial unionism, labor costs went up creating an incentive for corporations to seek new technology that would increase productivity and cheaper labor from other states and other nations. [In southern states, for example, there was no adversarial union movement. Hence, management and labor

collaborated to increase productivity and higher quality control.] Also as a part of the Michigan model, the UAW negotiated significant “30 and out” provisions in its contracts. Thus, in Michigan, UAW workers began retiring after 30 years of work, long before Medicare age benefits were available. As a result, the UAW began demanding billions in retiree health-care benefits, which more than anything else bankrupted the Big Three. Barone goes on: “Michigan is an extreme example of what has afflicted the industrial Midwest. Big corporations were replaced by big government as the leading employer, and public-employee unions replaced industrial unions as the chief financiers of the Democratic Party. In effect, public employee unions have become a mechanism by which taxpayer money, in the form of union dues, permanently finances a lobby with a vested interest in higher spending and less accountability.” This model is now unraveling and the repudiation of this model has been played out powerfully in Wisconsin. Governor Scott Walker successfully challenged the powerful public employee union and won! Even the special and costly recall elections in Wisconsin were won by most of Walker’s supporters. It is also important to remember that during this difficult recession, it was Texas that created nearly 50% of the nation’s jobs over the last several years, not Michigan. Is there a connection between this job creation miracle and the fact that Texas has low taxes and “light” regulation? Is it possible that the absence of powerful, adversarial unionism in Texas is also a factor? The Michigan model is dead. Is the Texas model the wave of the future? See Barone’s penetrating essay in the *Wall Street Journal* (16 August 2011).

- Finally, a comment about virtue and the perceived decline of America. The columnist David Brooks recently identified the “vigorous virtues” that help to explain America’s development as a nation with the most remarkable economy in world history—viz., self-reliance, personal responsibility, industriousness and a passion for freedom. There is little disagreement about these virtues and their importance to America’s heritage. In my view, they go a long way to explain why America as a nation with its unique institutions developed the way it did. What is not as clear is why they no longer seem to characterize the American spirit. Is government the problem? Brooks summarizes the typical conservative Republican narrative: Over the years, government has grown and undermined these virtues. Wall Street financiers no longer have to behave prudently because they know that government will bail them out. Middle-class families no longer need to practice thrift and frugality because they know that government will force future generations to pay for their retirement. Dads no longer need to marry the women they impregnate because government will step in to support the children of single moms. The massive state with all of its regulations and complex tax codes thwart the entrepreneurial spirit and dynamism necessary to create jobs and move the economy forward. Thus we must pare back the state to revive personal responsibility and private initiative. I am a rather conservative individual and there is much to this narrative that I agree with and find compelling. However, there is something missing in the explanation of why the virtues I listed above no longer seem to apply to America. There is a spiritual dimension that motivates and undergirds these virtues. The state cannot force people to change; it cannot force people to integrate these virtues and make them a forceful part of the warp and woof of life. In my judgment, these virtues are produced when a person has been changed by Jesus Christ. There are deeper structural issues that are at the heart of America’s challenges. What America needs is not simply a change in administrations; it needs a “heart transplant.” America needs to once again experience the gentle breezes of spiritual revival and renewal that have shaped and molded this nation since the First Great Awakening of the 1700s. In

fact, you cannot understand the American Revolution if you do not come to terms with this first revival. You also cannot understand the abolition of slavery, the temperance movement, the women's rights movement and the end of child labor if you do not come to terms with the Second Great Awakening of the 1800s. Further, it is impossible to understand how the urban masses met the challenges of industrialism if you do not come to terms with the Moody revival. Finally, the 1950s were one of the most important decades in the 20th century and the spiritual revival that swept America in that decade produced a unity in the face of atheistic communism and laid the ground work for the Civil Rights movement of the next decade. In short, America's problems are not fundamentally political or financial; they are spiritual. May God in His grace send another revival to our spiritually impoverished nation. See David Brooks in the *New York Times* (2 September 2011) and James P. Eckman, *Perspectives on Church History*, pp. 76-84.

PERSPECTIVE NUMBER TWO

Al Qaeda Ten Years Later

After US SEALS killed Osama bin-Laden, they brought home a significant amount of intelligence from more than 100 computer storage devices, including thumb drives, DVDs and CDs, and more than a dozen computers or hard drives collected from his compound. According to columnist David Ignatius, three major themes emerge from all this intelligence:

1. Bin Laden retained until his death a passion to launch a significant attack against the US, ideally linked to the 10th anniversary of 9/11. From the data there is nothing specific about the successful recruiting of operatives to carry out such an attack.
2. Bin Laden was a hands-on "chief executive." He maintained a significant role in planning operations and in all kinds of planning decisions. He was not detached but deeply involved at almost all levels of al Qaeda. His successor, Zawahiri, does not enjoy the support or allegiance that bin Laden had.
3. Bin Laden and al Qaeda were suffering acutely from the drone attacks in the tribal areas of Pakistan. It was increasingly difficult for them to train, communicate, travel and recruit because of these attacks.

Furthermore, bin Laden worried that al Qaeda was losing support and status among Muslims and that the US had succeeded in distancing al Qaeda from the perceived core values of Islam. As Ignatius argues, "The al Qaeda that emerges from these documents is a badly battered and disoriented group. . . [it is] an organization that is down but not out." There are no specific plots targeting the US from these documents but all recognize that it is what we do not know about al Qaeda that is most dangerous. As we approach the 10th anniversary of 9/11, we must thank the Lord for the vigilance of our government and our allies in so successfully decimating this murderous organization. But it is also imperative that we petition Him for His ongoing mercy in checking the evil that al Qaeda represents. It is a dastardly entity that will remain a serious and viable threat to the United States. May God in His mercy keep them in check!

See David Ignatius in the *Washington Post* (23 August 2011).