



Ten Counterintuitive Thoughts about the Economy and Your Family

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Some recent headlines:

“Analysis: US reliability questioned overseas” – Associated Press ¹

“Poll: Americans see little hope on the economy” – MSNBC ²

“Five Years after Market Crash, US Economy Seen as ‘No More Secure’” – Pew Research ³

“Maybe ‘Muddling Through’ Isn’t That Bad for the Economy” – National Public Radio ⁴

“The Rich Get Richer through the Recovery” – New York Times ⁵

Feel encouraged?

The great majority of Americans are unlikely to struggle with developing world-level poverty. But many do struggle with joblessness, under-employment, cost fluctuations, energy prices, college costs, and the unevenness of the financial worlds in which they find themselves. For those of us who are prosperous (that would be most of us), a precarious economy lurks in the background like a predator, awaiting an opportunity to disrupt our lives.

For the sake of our fellow citizens living in need and the economic future of the middle-income sector, Americans should think with discretion about the claims and counter-claims made daily by economists, business leaders, econometric analysts, pension plan directors, financial professionals, etc. The array of assertions made by seemingly qualified persons is overwhelming. As one nationally-syndicated economics writer told me this past summer, “I used to think I understood the economy. I don’t anymore.”

How do we sort through it all? How can we make sense of the cacophony of contradictory voices in the marketplace of economic ideas? And how do we plan for the future economic well-being of our families in an era of great uncertainty?

More Good News Than You Might Think

First, there’s more good news than you might think, both for families and the economy as a whole. Consider five aspects of the American economy that don’t get enough attention:

- (1) Remember that **total compensation and annual income are two different things.** Income (the amount of money in your paycheck) is an incomplete measurement of a family's wealth. Total compensation includes "health care benefits, retirement options, flexible schedules, paid time off, (and) work environment." ⁶ For example, if your employer has a free health clinic on the site of your plant or store, that's a tremendous value-added form of compensation. Or if your employer matches your contributions to your retirement plan, those assets add greatly to your future standard of living. So, when you read, "pay is stagnating," remember that immediate dollars and cents are only one way to determine your remuneration.
- (2) **Median total compensation, as of last month, was estimated to be \$52,100.** ⁷ In 1993, it was \$48,900 in inflation-adjusted dollars. ⁸

It's important to note **the difference between median and average incomes:** The median is the "middle point" of a set of numbers, while the average is simply a quantity of numbers whose values are added-up and then divided by the quantity of numbers. Example: The average income of Bill Gates and the Subway Sandwich shop worker is, say, \$15 billion – if Gates makes about \$30 billion and the Subway worker makes \$25,000 annually. That would come as quite a surprise to the guy who makes sandwiches for a living. In other words, it's a pretty meaningless statistic. On the other hand, the median "divides the income distribution into two equal parts: one-half of the cases falling below the median income and one-half above the median." ⁹ Median income represents a much truer picture of what Americans actually earn than average income, so don't be misled or disturbed when someone starts talking about average pay – always ask, how is he accounting for that average?

- (3) Consider **how much time it takes you to earn money** to buy the things you want.
 - In 1993, "a one-gigabyte drive from IBM cost more than \$3,000." Twenty years later, a one-gigabyte flash drive costs \$14.95 on Amazon. ^{10, 11} You are spending a fraction of the time to purchase computer memory now than you did only two decades ago, and are obtaining it in conveniently portable receptacle.
 - In 1993, a gallon of milk cost \$4.63 in constant 2013 dollars. In 2013, a gallon of milk costs \$3.49. ^{12, 13}
 - Or take the cost of gas: According to an economics website run by two University of Illinois economics professors, "Since wages have increased faster than the price of gasoline, by 2012 an unskilled worker spends less than two-thirds as much, as a percent of wage, for a gallon of gasoline than the 1949 worker. For a production worker it is only half."¹⁴ In other words, you are spending much less time at your factory or desk or retail store to purchase a gallon of gas than you would have six decades ago.
- (4) The **quality of goods** has improved dramatically. Would you rather be using the refrigerator your mom and dad purchased in 1963, or even 1993, or the one you purchased last month? Would you rather drive your grandpa's Plymouth or a car made in 2013? By numerous measurements – the safety of the vehicle, its miles-per-gallon, its

durability, its myriad entertainment features, etc. – the latter is a far superior vehicle. This is characteristic of the goods sold and purchased in virtually every category.

- (5) The **quality of the environment** has improved substantially in recent decades. Take only one measurement, air quality: According to the EPA, carbon monoxide output has fallen 83 percent since 1980. There is more than 90 percent less lead in the air than three decades ago. ¹⁵ Should we disregard legitimate environmental concerns? No. But not all is bleak, and should not be seen as such.

Not all is bleak. The American economy remains much more efficient in terms of innovation, income growth, and product affordability than just about any other economy in the world. But not all is well, either.

Things that are not so good ...

- (1) **Intact families** composed of a mother and father who remain married to one another and who, with their children, worship together weekly **provide the strongest foundation for productivity and well-being in all the major institutions of society.** This is massively documented by FRC's Marriage and Religion Research Institute. ¹⁶ Bottom line: If you want a strong economy, a good educational system, a civil society, etc., you'll be for policies that encourage strong traditional family formation. The bad news is that this kind of family is in decline: only "45 percent of U.S. children on the cusp of adulthood have grown up in an intact married family. The mother and father of the remaining 55 percent of 17-year-olds have at some time rejected each other as husband and wife." ¹⁷
- (2) **As marriage declines, so does the economy.** As my colleagues Drs. Pat Fagan and Henry Potrykus have demonstrated, "we cannot tax, spend, and borrow enough to substitute for marriage." ¹⁸ They write, "Our economic growth is and will continue to be a fraction of that of the pre-1960's era because of the breakdown in marriage. All the while, more citizens are pushed into dependency on this government, again because of marriage breakdown."
- (3) Even as we are more dependent on government programs than ever, **America's major "entitlement" programs (Medicare, Medicaid, and Social Security) are heading unavoidably toward collapse.** This assertion is a mathematical certainty, not a political insinuation. ¹⁹
- (4) The roughly 7.3 percent unemployment rate ²⁰ does not capture **the record-level of non-participation in the job market.** According to the Associated Press, "The drop in the unemployment rate in August to a 4½-year low was hardly cause for celebration. The rate fell because more people stopped looking for work. More than 300,000 people stopped working or looking for a job. Their exodus shrank the so-called labor force participation rate – the percentage of adult Americans with a job or seeking one – to 63.2 percent. It's the lowest participation rate since August 1978." ²¹ Additionally, when totaled together, those who would like to work but are not looking for it, those who are "under-employed" (part-time but want a full-time job), and those actually unemployed

(in the job market but unsuccessful in finding a position), the actual un- and under-employment rate (as of April 2013) is between 13 and 14 percent, with roughly 22 million potential workers not working or not working in full-time jobs. ²²

- (5) According to the Centers for Medicare and Medicaid Services, **the Affordable Care Act will increase the cost of health care by \$621 billion by 2022.** ²³ In personal and family terms, rather than driving the cost of health care down, **the Obama plan means substantially more expensive health care costs for a significant majority of Americans:** “For the vast majority of Americans, premium prices will be higher in the individual exchange than what they're currently paying for employer-sponsored benefits, according to a *National Journal* analysis of new coverage and cost data. Adding even more out-of-pocket expenses to consumers' monthly insurance bills is a swell in deductibles under the Affordable Care Act.” ²⁴

The ten observations offered do not compose a comprehensive summary of how to evaluate the economy. The national debt and annual federal budget deficit are both huge and growing. They impede economic growth simply by requiring massive monies to service them, and could well explode (in tandem with entitlement expenditures) into massive, devastating inflation. Then there are many issues involving taxes, trade, technology improvements, and employee training that could be raised.

There is no “silver bullet” solution, no magical economic pill the nation can swallow to make all of the dangers go away. However, we gradually can lessen the dangers and strengthen the growth of our economy by doing something humankind has always done rather well: Married couples need to have more children.

“Cultural trends in marriage and family planning actions drive an exponential decrease in the generations to come in the West,” write scholars Drs. Pat Fagan and Henry Potrykus. “Remediation of this lies in a re-adoption of stable marriage as a societal norm and the rejection by governments and peoples of a non-sustainable model of society and its replacement by a less secular, more traditional family-oriented life in our steering of ourselves as a people.” ²⁵

This is not to suggest cavalier abandonment regarding child-bearing. However, unless America's young, intact families have at least one or two more children than, on average, they are having, our supply of workers will become inadequate for the demands of a prospering economy and an increasingly substantial cohort of retirees.

In his recent book *What to Expect When No One Is Expecting*, Jonathan Last demonstrates that our national decline in fertility means that we won't have enough people in coming decades to generate sufficient economic growth for the needs of our economy. Fewer children, more seniors (who are also living longer), chronic un- and under-employment: Non-inflationary economic growth will become a memory.

American fathers and mothers need to marry and then stay together, worship at least weekly, and consider having three or more children. Over time, this will transform the economy and the country, for the good. And that's one of the best headlines for which the U.S. can ever hope.

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