

THE CONTINUING PROMISE OF AMERICA

By Jay Van Andel

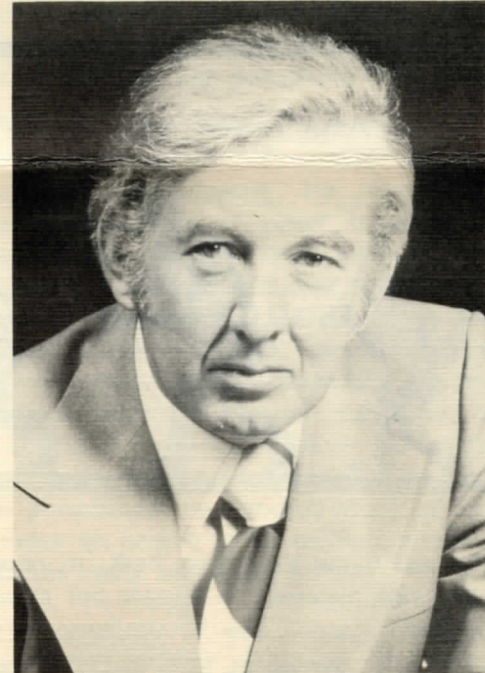
Mr. Jay Van Andel is Chairman of the Board and joint Chief Executive Officer for the Amway Corporation, and Chairman of the Board for the United States Chamber of Commerce in Washington, D.C. In 1959 Mr. Van Andel co-founded Amway, a corporation with an estimated retail sales in excess of \$500 million as of August 31, 1978. In 1945 he co-founded and co-operated a flying school and a commercial air charter service. He later founded Ja-Ri Corporation and a nationally operated mail order concern.

Mr. Van Andel completed his formal education at Calvin College, Morningside College, Pratt Business School and Yale University. He holds an Honorary Doctorate of Business from Northern Michigan University and an Honorary Doctorate of Laws from Ferris State College. He is also a member of the Board of Trustees at Hillsdale College.

Mr. Van Andel delivered this presentation at Hillsdale during the Center for Constructive Alternatives seminar, "Leading Corporate Heads Assess America's Future."

In America, each generation has always expected the next to be better, to have more—more education, more material comforts, better health, greater enjoyment, greater personal security and more peace of mind. That's been the case for most of the last 200 years. Of course, this country was founded by those who wanted more; they yearned for greater opportunity and more personal freedom. They left England with a determination to attain it here. Later, they rebelled against the Mother Country because even after escaping the geographical confines of England, they had still not achieved the economic and personal freedom they sought.

The Declaration of Independence changed all of that. The last 200 years have been years in which free men and women have had the opportunity to live and prosper in a free enterprise environment. The result:



the highest standard of living ever achieved in the history of the world.

The free enterprise system has helped us to be the best fed, best dressed, and best endowed people in the world. We have built tens of thousands of great schools, and provided our children with an education that even the most privileged few could not obtain 100 years ago. We have built thousands of great hospitals and conquered disease in a way beyond the wildest dreams of the medical practitioners of a century ago. We have built tens of thousands of churches and staffed them with dedicated people to minister to our spiritual needs. We have added fifty percent to our life expectancy, split the atom, planted our flag on the moon, created great literature, exciting architecture and enduring music.

We have built hundreds of thousands of miles of

im•pri•mis (im-pri-mis) adv. In the first place. Middle English, from Latin in primis, among the first (things).

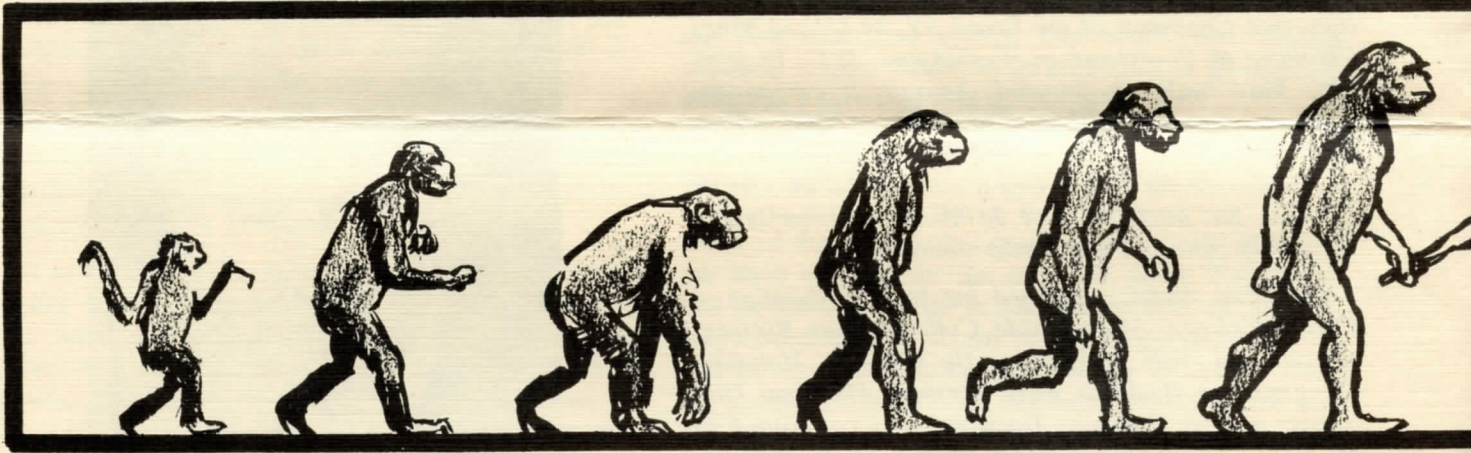
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roads, and a fleet of a hundred million autos and trucks to transport us and our goods. We have crisscrossed the country with railroads, built fleets of jet airplanes and great airports to service them, invented the means of sending voices and music and pictures through the air to bring the world to our living rooms.

A hundred million buildings have been constructed to house us and to house the great factories that produce our wealth. Millions of acres of land have been cleared and the greatest agricultural production the world has ever seen has been created. Plant diseases and insects have been fought and conquered. Mines

of malaise. They want the skeptics, the doomsayers and the government to get out of the way so that they can get on with the business of fulfilling the promises of America.

Today I want to discuss two possible impediments to that promise: the attitude that growth must be stopped because our resources are finite, and the social and economic policies of government which are suppressing America's productive capacity. First, to those who say our growth will be stopped by a shortage of energy, food, raw materials, or pollution, I offer these observations:



and wells and dams have been built, to provide the energy and raw materials to operate our great industrial machine.

And so we could go on in a litany to the great achievements Americans have accomplished in the last 100 years. But what about the promise of today's young people and for future generations? Some say we cannot expect to continue to grow and to create a better tomorrow. They say we are running out of resources. They argue that we must turn back the clock, lower our sights, and reduce our standard of living. They say we have reached the limits to our growth.

The President of the United States was quoted recently as saying that for the first time in our history, the majority of the people of the United States believe that the next five years will be worse than the past five years. The President has been reading polls instead of listening to the people. There is a national malaise all right, but it is the result of ho-hum leadership and the failures of the established institutions of this country *and not indifference to the promise of America*. That promise comes from the individual spirit of the people and the will to work to earn a share of the dream. People still have faith in themselves and their ability. They have only given up on the politicians in power. They do not show symptoms

1. The American Revolution set in motion a libertarian, free enterprise, free market system that unshackled human creative energy in ways beyond all prediction. For all the recorded history of mankind, production per person in real annual income had never exceeded about \$200 per year. The colonists who came to America were still using the same human and animal motive power that had been used in the time of Christ, and producing about the same amount of goods.

Then came the American free enterprise system, combining personal incentive, creativity, investment of surplus in tools, innovation and opportunity, fueled by competition. In just 200 years American personal annual production increased over *40 times* what it had been anywhere for the previous 10,000 years.

That system remains. It has been warped and shackled by an overgrown government, but it can be restored. And freed once more, great miracles will still be done. For 10,000 years of recorded human history there was almost no productive progress. The resources of the earth lay almost unused. Now for 200 years those resources have been liberated by human freedom for human progress. Endless resources are still awaiting our development—if we only permit the free political environment to maximize the opportunities.

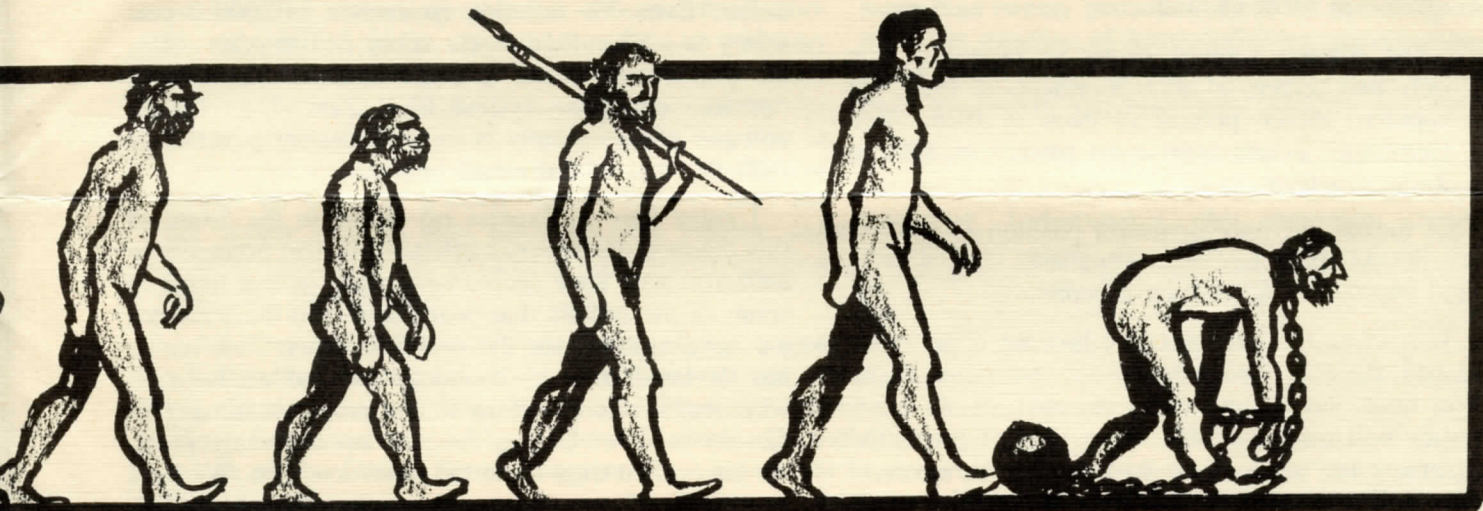
Some say we are running out of energy. They are wrong. There may be limits to certain *forms* of energy, but as long as the sun shines we'll have plenty of energy. Fossil fuels remain in abundance, even in the U.S. Crude oil reserves in the U.S. have been equivalent to about 10 years' consumption ever since we started drilling 120 years ago. That's because reserves are the oil estimated to be in wells already drilled. But potential oil, not yet drilled, is estimated to be at least a 100-year supply.

In addition we have the largest known oil shale deposits in the world—with a potential greater than the

billion BTU's are released from the fusion of a pound of hydrogen to helium.

Production of electricity from nuclear energy is already safe, despite the emotional outbursts of the doomsayers. Undoubtedly it can be made even safer.

Many exotic sources of energy remain untapped today but may well become commonplace tomorrow. Hydrogen, biomass, solar, wind, geo-thermal, ocean currents—all may well contribute to future energy requirements. And we are becoming increasingly more efficient. A single 200-ton jetliner outperforms the



oil supply of all Arabia. Enhanced recovery systems on existing wells can produce at least as much oil from them as has already been produced. Our coal deposits—the world's largest—will last for many centuries even with increased use. Federal lands, most of them presently prohibited to energy production, have 50% of our fossil fuel potential reserves, although only producing 10% of our energy today.

Vast untapped natural gas deposits remain, especially in the Gulf of Mexico and Alaska. We need only pay the price to get it and to get the gas which Mexico now flares off into the air. Some experts believe natural gas may be almost unlimited, being produced within the earth. Futurist Herman Kahn predicts natural gas will remain our principal fuel, well into the 21st century.

A salt water algae has been discovered that thrives in salt ponds, and can be converted to oil.

Our problem with delivery of fossil fuels has not been one of supply; rather it has been one of government meddling in the free market place, with price controls, taxation, allocations, and environmental restrictions. Human ingenuity will provide limitless energy from other sources if cheap fossil fuels run out. Think of this equation: 20,000 BTU's are released by burning one pound of oil; 250,000 BTU's are released by the fission of one pound of uranium; but 260,000

annual passenger carrying capacity and energy consumption of the 85,000 ton Queen Elizabeth. A quarter ton communications satellite outperforms 150,000 tons of transoceanic cable. Autos today go two or three times as far on a gallon of gasoline as they did ten years ago.

There is no real energy shortage. In a free market, the price will dictate the most economical and available choice.

2. FOOD:—Only three percent of the earth's surface is farmed. If just all of the land now cultivated were brought up to the highest standards of efficiency already achieved by the farmers of America, it is estimated the world could feed fifteen times today's population.

—With four million free American farmers, we produce all we need for 220 million Americans, with a huge surplus to export. In socialist Russia 34 million farmers cannot produce enough for their own needs, and the Russians import millions of bushels of American wheat to keep their people from starving. If free enterprise ever disappears from the earth, the people of socialist countries will starve.

—Freedom and free enterprise do something for a human being that cannot be done in any other way. They give hope and the incentive that goes

with it, and all the plans of all the governments on earth eventually fail if freedom is not present. In Soviet Russia all the farms are collectively or state owned. But the Soviets have allowed workers small plots and a few head of cattle of their own. Altogether, these tiny scattered patches of ground total less than *four percent* of the cultivated land in Russia, but by the communists' own statistics, they produce about *one third* of the total Russian food supply. When people are free to enjoy the maximum return of the results of their own efforts, they produce far more than under any other system.

- The world's cows—one-third of them Asian and serving no useful purpose—eat more grain than all the world's people.
- The world's horses—mostly recreational—eat more than all of the Chinese people.
- A pound of newly discovered bacteria, feeding on crude oil so worthless it is burned as waste, can grow fast enough to produce ten pounds of protein a day. This in a yearling calf would mean growing to the size of a three-car garage in one day.
- Alfalfa growing at the rate of *five tons* per acre per year can be converted to 70% protein. But water hyacinth grows at the rate of *one hundred tons* per acre per month, and can likewise be converted to 70% protein. That same water hyacinth, incidentally, can be used as a source of methane and alcohol for energy.
- 70% of the crops in the more primitive agricultural nations are destroyed now by easily destroyable pests.

The world has vast potential food reserves. Free people will find a way to produce more food than we will ever need.

- 3. **RAW MATERIALS:**—*The total natural occurrence of most metals in the top mile of the earth's surface is estimated to be about a million times as great as present known reserves. This means we have enough to last one-hundred million years.*
- True, it's presently impossible to mine all of this, but given one-hundred million years, free people will find a way.
- Vast untapped mineral resources exist on the world's seabeds.
- Iron is overwhelmingly the principal non-fossil fuel mineral we mine. Known taconite reserves are adequate for some 1500 years. When they are exhausted, we could use lateritic iron ores—containing about 5% iron and sufficient for several million years.

—Seawater itself contains a wide variety of minerals, all recoverable. Undoubtedly mineral extraction plants will someday be an adjunct of the proliferating desalinization plants now producing fresh water from the sea.

—Furthermore, we don't actually consume metals, we use them for a time and we can then recycle and reuse them, Almost all are recoverable.

The doomsayers are very worried about the world polluting itself out of business. Despite all their clamor, our higher levels of industrialization and technology have tended to *reduce* environmental pollution per person, rather than increase it.

A horse dragging a cart a mile emits 600 grams of solid pollutant and 300 grams of liquid. An automobile going the same distance emits only 6 grams of pollutant. We *have* made progress.

Tremendous progress has been made in the U.S. in cleaning up our lakes and rivers and air. We have probably gone overboard, gone farther than necessary. Lakes made too clean, for instance, will not support fish. The ecosystem in a healthy body of water lives off waste. Trillions of fish in the ocean not only produce billions of tons of waste, but they all eventually die and decompose. Yet the oceanic systems have taken care of this beautifully since the world began.

So, there is ample energy, plenty of food, no shortage of raw materials, and pollution can be controlled. Thus, there is no justification for turning back the clock, reducing the nation's growth rate, denying the promise of America to future generations.

Some say America, with 5% of the world's population, has no business consuming up to 24% of today's production of certain resources. They forget that America also produces 28% of the world's wealth including food, clothing, shelter and transportation, and that American wealth has made the entire world a better place to live.

But there is something else the doomsayers forget—or won't admit. God is not dead. The Creator of the universe still holds its future in His hand. True, the earth is no longer perfect. He has told us why. But He has also promised that it will go on until He decrees time will be no more. God has told us the earth will provide all that we need, but that we must work to get it. The earth's bounty does not fall into our hands easily, but it is there—and in full measure. Man can neither defy nor change the purposes of God. In truth, we could not destroy the earth even if we tried, without the Creator's assent. Conversely, when God decrees this earth's existence must end, then we will no longer be able to preserve it. We are earth's caretakers, stewards, but God has set our parameters.

Now let's talk in economic terms. A real impediment to continuing the promise of America is the slowdown in the rate of productivity of American industry. In the period 1960 to 1969, our productivity increased at the average rate of 3.4 percent. During the last 10 years, the rate has declined to 2.3 percent. It currently is at zero.

Productivity is *not* the act of speeding up the machine on an assembly line to make workers produce more for the same pay!—or any other vision of 19th century sweat shops the term may, at first hearing, suggest. It means greater output per man hour and it is achieved by increasing capital investment. Productivity, of course, is the means by which an economy grows. Unless productivity increases each year, there can be no real increase in earnings, no money for beyond-inflation raises for employees, no increase in capital for expansion, no increase in the standard of living, no hope for a better future. The pie does not get bigger, it can only be re-cut into smaller and smaller pieces. Is the decline in productivity irreversible? Not necessarily.

An important document was released in August which talked about productivity and its relationship to the America of the eighties. It is the "Midyear Review of the Economy," issued by the Joint Economic Committee of the United States Congress. That report offers two alternatives:

- (1) The average American will see his or her standard of living decline drastically in the 1980s, or
- (2) We can avoid this dismal future of slow growth, high inflation, high unemployment and a reduced standard of living by eliminating the "tax and regulation barriers" to productivity increases.

The choice is ours. Continue the ill-advised policies which have brought us to this critical point, or take the steps now—long range, carefully-drawn plans—to reverse the decline in productivity and continue to guarantee the promise of America.

How did we get into this fix? The *Wall Street Journal*, commenting on the Joint Economic Committee report, observed:

"...through misguided compassion and the pork barrel, [politicians] have spent the economy into ruin.... For over a decade Washington has been piling up a lot of claims on the economy. It is going to take a lot of economic growth to make them good."

For some time now it has been the policy of the federal government to penalize investment and accumulation of capital—the very source of a growing, productive economy. Our laws encourage the use of savings for consumption of goods, rather than invest-

ment in the economy. The money we earn and *spend* is taxed once. The money we earn and *save* is taxed over and over, until we finally spend it. For that matter, in inflationary times, those same government tax policies favor *borrowing*, instead of *saving*.

It is not surprising, then, that the rate of growth of our productive capacity has been less than that of West Germany and Japan and the rest of our major trading partners since World War II. At a time when Americans are saving or investing about five percent of their incomes, West Germans are saving or investing almost three times that much, and the Japanese more than twenty percent of theirs. If the 1980s are to offer the promise of lower inflation, greater prosperity—a better life for succeeding generations—disincentives to savings and investment must be removed.

Probably every business person in this country, at one time or another, complains about government regulation. Unfortunately, this continuing clamor is regarded by many as either self-serving or in the nature of the boy who cried wolf. In the context of increasing productivity, it is neither. The Federal Register now publishes 70,000 pages annually of new regulations devised by the unelected federal bureaucracy. General Motors has 20,000 people employed just to comply with government regulation, all added to the cost of its automobiles. Even the smallest business must spend thousands of dollars annually to comply with government regulations. Much of that regulation provides no benefit at all to the consumer. It merely increases costs and raises prices.

The economy of this country cannot support the present cost of over regulation. The compliance cost for business is now estimated to be *in excess of one hundred billion dollars a year*. Much of that money should be flowing back into the economy for productive purposes. Instead, it increases the price of everything from a dozen eggs to a pair of shoes, thereby reducing the standard of living of every citizen.

Inflation continues to be our No. 1 domestic economic problem. Unchecked it will eventually destroy not only our free market system, but our free government and our personal liberty. No free government in all history has ever survived unchecked inflation. Inflation wrecks pension plans, destroys savings and insurance, impoverishes the thrifty, destroys the middle class and the poor. Taxes and unemployment go ever upward, business cycles fluctuate even more widely. Capital is consumed and living standards go down.

Why this concern about capital accumulation? Without it, we cannot build new plants or expand existing ones, cannot replace aging and outmoded equipment and cannot hire the hundreds of thousands of potential workers joining the job market each year. For example, inflation drives the price of machinery higher

each month. The replacement cost for a piece of equipment our company bought ten years ago for four hundred thousand dollars is now more than a million dollars. This extra cost cannot be provided from depreciation allowances. It must come from retained profits. But inflation is eroding those profits daily.

Profits are essential to continue the research and development activity—the innovation—which made the United States the leading industrial nation of the world. Today, countries such as Japan and West Germany are taking the lead in new product development. A study published in *Chemical Engineering* magazine in 1978 showed:

“The biggest foreign gainer is Japan—it won only two percent of all U.S. patents in 1963, but captured eleven percent of them in 1976. West Germany...[went] from eight percent in 1963 to thirteen percent in 1976.”

That means our once-dominant position in new product development has been eliminated, and with it, a vital element of a productive economy.

It is clear that we have not lost the opportunity to realize the two hundred-year-old American promise. We have ample resources. A shift of government policy will make possible rising rates of productivity, reversing the trend of the past decade. However, it is up to all who want to share in that promise to make their voices heard in support of policies which will make it possible. Only then will the politicians in Washington be moved to take the actions required. As I stated earlier, these actions translate into long-term programs; therefore, the time to begin is now.

First, we must revise the tax structure to encourage, not penalize, capital accumulation. Further reductions in capital gains taxes and elimination of double taxation of dividends are two such necessary revisions. With less punitive tax laws and the resultant availability of investment capital, business can once more upgrade plant and equipment and embark on new research and development activity to regain the lead as innovators in the free world.

Second, there must be an acceleration of the trend toward deregulation at the federal level. Unnecessary regulation must no longer drain capital and discourage innovations. To permit this situation to exist is to restrict U.S. industry in its efforts to compete in world markets. Review of all existing regulations in the context of their economic impact as well as their social objectives is imperative—and overdue. Similar criteria must be applied to all future regulations, and the impulse to enact such regulations must be checked

by the Congress through both a Congressional veto and “Sunset” laws.

Third, inflation must be stopped. Inflation is caused by the fiscal policies of the federal government. For almost 50 years the Congress has been engaging in deficit spending. The difference between income and outgo has been made up by creating money out of thin air. The Constitution gives Congress the responsibility to maintain the value of our currency. They have failed miserably. We will have to insert spending controls in the Constitution, and require balanced budgets, to restore the constancy of the value of the dollar. Even 7% inflation escalates a \$10,000 a year salary to a \$9 million a year salary in 100 years. 13%, the present rate, does it much faster. In the process our free enterprise system flies apart. The ultimate collapse always results in an authoritarian government with the loss of individual liberty.

I came here to express my belief in the future of this country. However, I believe it is also necessary to alert you who have such a large stake in that future to some of the pitfalls that could deny you the freedoms we have enjoyed for the past 200 years. This nation has deviated from its course before and we have always been able to return to the proper heading. We can do so now. During the past ten to twenty years, we have often tried to do too much too soon. We have overburdened our economic capacity through unwise, if well-intentioned actions. Now, having recognized the mistakes, it is time to rectify them.

Some may be critical that production of material wealth should not be a major goal in life. True, wealth for its own sake should not. But only when a society or nation produces surplus wealth is it possible to develop all the other aspects of the good life—better education, better health, more leisure, cultural activities, music, art, literature, churches, schools and hospitals. All these depend on surplus wealth. Without it, we fall back to a primitive existence. The free enterprise system is the best wealth production system the world has ever known. Even the poor in a free economy have more than the rich in other systems. A rising tide raises all boats, large and small.

Each step in our lives presents a new challenge. At this milestone in our nation's history—moving into the decade of the eighties, and only twenty short years from the twenty-first century—the challenge is to restore that which has given us the ability to achieve greatness, our productive capacity. The resources are available. The promise remains. It's now up to us. The American Dream need not die, if we have the will to keep it alive.