

America's Unspoken Economic Dilemma: Falling Intelligence Levels

Seymour W. Itzkoff
Smith College

Challenge

The nations of the world understand the relationship of their economic productivity to the present and future possibilities of their citizens living lives of middle class affluence, or else existing on the marginal fringes of the "developed world." The concepts "developed nations" and "value added productivity" underline the reality of a world bifurcated between the "haves" and the "have nots."

To have a corner on a "value added" product or service is to be allowed the privilege of charging those who desire to purchase the product or experience the service a much higher than average markup. People throughout the world, however, must want what it is you produce or serve and have the wherewithal to pay for such.

Nations such as Germany and Japan produce a wide variety of desired products made by their citizens. They therefore can earn through the international trading system enormous surpluses. With these earnings they are enabled to transform their expectations and desires into tangible reality. The result is an ability to pay for the products of other nations and, also, the wherewithal to fund internal social services into a lifestyle of international affluence.¹

It is no secret why this state of national development has occurred. These people and their nations produce a variety of complex goods which are transformed out of relatively inexpensive raw materials into unique products which are desired by the middle classes of the world community. Indeed, it is true that there are other nations, often seen as "Third World," who have large populations of citizens who can be called "developed" in terms of their education and affluence.² These minorities have commanded, in terms of their political power or special economic functions, an international standard of wealth for themselves far beyond the dreams of their fellow citizens.

Every nation wants to get to the stage where it can

command such high value added markups on what it has to sell or show, such as to direct the flow of wealth across its borders and into the lives of its citizens. Here lies the dilemma of nations such as the United States or mainland China. The former wishes to recapture the halcyon days of its own magnificent affluence, when the world literally pleaded for "things" American, and there were no multi-billion dollar trade deficits, nor a \$4.5 trillion debt accumulation.³ This latter contemporary situation is the cumulative result of the United States' consuming more than it could earn by the dint of its own contemporary value-added productivity.

China now wishes to abandon the intellectual and practical madness of a communist command economy. It is willing, as Japan was 45 years ago, to start at the bottom. The pathway up into the stratosphere of middle class development appears to lie through the discipline of the unskilled and semi-skilled \$.50 to \$1 per hour tasks at the 48 hour bench. Then, and gradually, through ever more advanced forms of education, training, investment, such so-called developing nations hope to create an infrastructure of transportation, communication, research and development, marketing, and an urban civilizational setting that will advance them to the point where they can create the most complex and artful products at the most efficient cost.⁴ This hopefully will allow them to woo the middle classes of the world away from the products of the Germans and the Japanese. Optimally, the shift in the loyalties of the world's middle classes and their institutional representatives will be a result of the creation by these formerly developing nations of wholly new products and services which allow for an uncontested value added price structure.

The Contest

Germany and Japan, already sophisticated industrial powers in 1940, have come back from the bleakness of utter destruction and defeat in 1945 to rule the world in a way that no one, least of all they themselves, could have predicted at that time. Since then, in a relative blink of time, the entire world has been racing along the same competitive course toward the same goal, power through economic dominance.

Naturally, there is only limited space at the pinnacle, as we in the United States have learned with sadness and sobriety. The great question is: how is it done?

Obviously, the free market capitalist road constitutes the institutional national setting for the most rational allocation of resources and energies that can propel a people into productive

efficiencies such as to create the human, financial, and productive capital leading to national development. As one Chinese official, head of the local communist cell, now also head manager of a new Hong Kong-financed manufacturing plant near Shandong, stated: "The role of the Communist Party is now to make everyone rich!"

The world-wide recession of the early 1990's has alerted us to the fact that even the developed nations of the west are not immune to the competitive pressures that events have recently and likely will always throw up as challenges to both intellectual and policy complacency.

The Europeans for one have now experienced what the U.S. long ago fell victim to, competition from low-cost suppliers, in this case the imports from Eastern Europe. Steel is one example. While the Europeans, except for Britain, have been fairly successful in limiting Japanese penetration of their markets, the competition from lower-cost producers of world-class computers, in this case the still competitive U.S. and Japan, has effectively neutralized European computer giants such as Philips and Siemens.⁵

For the most part, the European malaise can be attributed to the enormous cost structure of their largely socialized welfare system and the administrative state bureaucracy, which in the case of Italy, for example, doubles the labor costs. The German auto manufacturers, Mercedes and BMW, who plan to build assembly plants in the U.S. (South Carolina) expect to do so at a labor savings of at least 30%.⁶

Given the trend toward privatization in all of Europe, especially socialized France, and the move away from social democratic political leadership, as well as the gradual growth of venture capitalist investment, one can expect that these highly skilled peoples will find new ways to maintain their economic leadership.⁷

The competitive situation in the United States is more serious, and systemic. The latest stage in the now 30 year old process of de-industrialization in the United States involves stalwarts such as IBM, United Technology, Boeing, General Motors, Sears, a large number of merged banks as well as other centerpiece industries once representing American leadership in technology and services.⁸

This latest, early 1990s, shrinking of the American productive base only follows the 1970's loss of consumer electronics, large portions of our automobile industry, home appliances, textiles, etc. During the 1950s, the United States supplied for its own market about 90% of these items. Certainly, given the dislocations in the

world after the Second World War, it could not have long continued this absolute dominance.⁹

Few doubt that this industrial, technological decline, recognizing the continued power of the United States in computers, software, micro-processors and drugs, among others, is symbolic of a nation that has lost its seamless productive dominance and thus its potential for achieving universal middle class economic and social standards for a large majority of its citizens.¹⁰ The pumppriming option of deficit financing by the various public and private American political and financial institutions is no longer possible. The credit line has run out.

The build-up of enormous private wealth over the entire span of the 20th century, as well as the importation of relatively cheap products from the developing world, masks the extent of this pulling of the productive rug from under the U.S. and thus the full extent of its potential unemployment crisis, including the impending sharp reduction of the governmental safety net that still softens the pain for many.¹¹

The economic struggle is sharply underlined by the context of educational and cultural decline which some see as the fundamental cause of the American economic slide. Indeed, the competition from cheap producers around the world has helped to limit wage-rate increases over the past ten years, thus rendering large proportions of the economically viable technologies in the United States capable of managerial tightening in efficiency. The U.S. still registers a trade surplus with Europe when the latter is not in recession.¹²

One cannot momentarily evaluate the competition of nations for a higher position in the production hierarchies from the standpoint of yesterday or today. We are in an ever more dynamic and fluid set of historical relationships. What was once thought to have been the American century, the 20th, now appears to be concluding on a decidedly northeast Asian note, with the Japanese "co-prosperity sphere," of the pre-World War II 1930s, a bizarre but pregnant auger of things to come. Subtract for Japan a deviating if horrific 15 year period from 1930 to 1945.¹³

The American Dilemma

What passes as a peculiarly American dilemma should be seen as a story that can be repeated around the world. The problem is a universal one, if only made to seem especially American. This is largely due to the impact of the United States on the 20th century world scene.

The problem is constructed from a modern economic consensus arguing that the future of nations will not be determined by: financial investment wherewithal; available home natural resources; entrepreneurs interested in establishing local productive facilities. Lester Thurow, Robert Reich, Robert Kuttner, and Jeffrey Garten, politically "liberal" economists, all agree that the crux of a nation's position on the affluence hierarchy depends on the general skills of the home nation's work force.¹⁴

This in turn depends upon the efficiency of a nation's educational system. First, of course, the elementary and middle schools must produce competency in basic literacy in the entire population. By the time individuals reach the age of 13 or 14 they should be able to read and understand fairly complex written materials, be able to write a communicable and relevant paragraph or two about an issue beyond their own direct experience, and of course be knowledgeable and skilled in some basic arithmetic functions. A 14-year-old should be able to understand and accurately use a bus or railroad time table.¹⁵

The second phase of national educational development would be the creation of a truly world-class secondary educational system. Given the Japanese and European achievements in this regard, especially when utilized as a terminal formal educational setting by such a large percentage of these populations, it is clear that the high school constitutes the educational touchstone for further national economic development.¹⁶

Finally, the kinds of higher educational institutions which gave France and Germany their leading roles in the 19th century in the development of a scientific and industrial culture, and did the same for the United States in the 20th, constitute the foundations for permanent progress and leadership in both the international cultural as well as economic spheres.¹⁷

Lester Thurow has argued that proprietary scientific, technological, and intellectual inventions *per se*, those which might emanate from his own MIT, are no longer crucial, as the financial and economic leadership of a nation now depends more on the exploitation of "process" technologies than on the primary invention of such frontier concepts.¹⁸

One can counter this argument. Unlike the post W. W. II period when so many technologies were available for efficient development in terms of process, future decades may very well see the proprietary patenting of new techniques when they are developed by the home country, subject, of course, to the establish-

ment of international recognition and supervision of such proprietary rights over "ideas."

Further, the explosion of international industrial espionage which is reported to exist amongst the competing national industries, argues that we may very well be entering a stage of history when more than process becomes central to a nation's economic destiny. It will be the ideas themselves that form the grist of rapid internal development. They will no longer be out there in the public domain for the ready and waiting, while the creators, as with the U.S., remain asleep at the switch.

At this point in national development, advanced institutions of research and teaching do become extremely important. The Japanese, supposedly laggards in this regard, are now attempting to upgrade their own university research programs, establishing independent research laboratories comparable to the Bell and IBM models.¹⁹ They are also establishing satellite research labs associated with their various frontier industries, Fujitsu, Mitsubishi, Sony, etc., in certain American research centers: Princeton, N.J., Palo Alto, Ca., Cambridge, Mass., Austin, Texas. Employing resident U.S. scientists, they can afford to pay munificent salaries as compared to their American peers, given the weakness of the dollar as against the yen.

Indeed, the U.S. itself profits from such international intellectual parasitism. Roughly 50% of the graduate students in engineering and the physical sciences that are enrolled in the premier research universities in the United States are visiting foreigners. Roughly half of these elect to stay on and take positions in America's leading industries, often becoming independent entrepreneurs. The continuation of this American advantage, of course, depends upon the existing reservoir of great American universities continuing to maintain both their eminent faculties as well as student bodies in an urban and social environment that remains attractive for the best minds in the world.

The bad news is that the achievement levels of the average American 17 and 18 year old have slipped relative to 30 years ago, and at an alarming and continuing rate. Competing nations in the developed and developing world are now concentrating intensively on the education of their own indigenous populations.

We have seen the SAT scores of American students preparing for college decline by about 10% over the past 20 years even while educational expenditures have risen greatly, and a successive series of curricular and organizational reforms have been vainly instituted to stanch the decline.²⁰ These students repre-

senting the best of our academic achievers are ostensibly the creators and entrepreneurs of tomorrow.

A recent analysis of this decline, by Richard Herrnstein and Charles Murray, argues that the 50 point decline in the Verbal SAT and the 25 point decline in the Math SAT reflect a general educational achievement fall-off in the top quartile of our high school students. The more general achievement levels of all high school students seem to have held to their traditional levels of the late 1950s and early 1960s.²¹

These data confirm the general sense by college teachers of an ongoing decline in the skills of this cohort of incoming college students. But more serious is the paucity of the once considerable group of extremely high achievers, especially in the verbal areas which are more "g", general intelligence, sensitive, intellectual manipulation, as compared to routine math procedures.²² These figures argue for the reality of the drying up of great talents at the top, and may go some way toward explaining our lethargic contemporary economic profile.²³

For example, in 1962, 912,204 students took the SAT, 964,684 in 1983-84. In 1962, 19,099 scored over 750 on the SAT Verbal, range, 200-800. In 1983, only 1,588 scored over 750 on this section of the SAT, dropping to 986 in 1988.

In addition there is now a rich literature on international educational achievement comparisons carried out by and largely by our own ETS (Educational Testing Service) of Princeton, N.J. These reveal an even more serious set of comparative data which underlines the larger significance of the economic shrinking of our national technological position.

Examples of this decline of American verbal, mathematical, and science skills relative to the rest of the world are now conclusive. In the mid-1980s it was shown that the top 1-2% of our 17-year-olds still in school, then about 76% of the cohort, were achieving in mathematics about on a par with the average 17 year old Japanese high schooler in mathematics. The top 5% of our students were already slightly below this Japanese standard.²⁴

In a variety of testing situations during the past decade the United States high school seniors and junior high 13 year olds have scored well below the developed world, now including the Chinese on Taiwan and Hong Kong, as well as the Koreans. In some cases we barely equaled the scores of Irish high school math and science achievement, or that of Spain, now rapidly modernizing nations.²⁵

The most recent international tests, reported by ETS for

1992, compare math and science achievement levels of 13-year-olds.²⁶ This is the age level that begins the predictive cycle. Testing at earlier ages has proven less reliable. In the United States, ever since the famous longitudinal Stanford University study of Lewis Terman begun in the 1920s, to discover intellectual talent at the highest levels, minimum I.Q. 140, 13-year-olds have been the age of discovery and predictability.²⁷

The more recent SMPY, Study of Mathematically Precocious Youth, originated by Julian Stanley at Johns Hopkins University in 1971, also has utilized the 13-year-old level as the pivotal predictor age to discover and separate these talents for special educational advantage.²⁸

The 1992 ETS study included mainland China. But because so many Chinese 13-year-olds were in lower grades than 7th or 8th grade, and others no longer in school, the sample from the approximately 1.2 billion population of China was "only" 425 million, thus earning for these remarkable math scores, an asterisk, removing them from the statistical reliability standards.²⁹

The Korean and Taiwanese math scores at about 72-73 compared very well with many European nations, including Russia and Hungary, then in political and economic chaos, these at about the 69-72 level. The United States 13-year-olds came in at the periphery of the developed world, at 55.³⁰

Most interesting was the score of "80" achieved by the aforementioned mainland Chinese, with a per capita gross domestic product income in the \$300-400 per year level at market exchange rates, as compared to almost \$20,000.00 per person GDP in the United States. The U.S. expends 7.5% of GNP on education. Only Israel, with about 10% of its much smaller GNP, spends a greater portion on education.

Combine this overall decline in educational achievement at the highest levels of educational attainment SAT scores over the past 30 years with the generally dismal international comparisons of American achievement levels, both at the 13- and 17-year-old stages, we see a decline which points beyond mere educational efficiency.

In one stroke, we can here understand the economic and cultural disaster in the making, that is the United States today. It is underlined by soaring illegitimacy, family breakdown, divorce, single parenting, violent crime, drug addiction and AIDS, homelessness. All in all, this offers a general symptomology of behaviors, with their powerful statistical confirmation, that supports a wide ranging constellation of evidence arguing for the fact there

has come to be in the United States over the past 25-30 years, a demographic shift in the population toward lower levels of intellectual and thus cultural, educational, and inevitably, economic achievement.

Demographic Implications

The shift in the United States' demographic and cultural profile from a formerly European demographic base to one which is euphemistically called "multicultural" is a fact, rather than a mere ideological musing. Evidence is that, given current trends, the population of the United States in the second decade of the 21st century will be at least one-third non-European. By the mid-21st century, with an estimated minimum population between 350-380 million, it is not beyond statistical possibility that the present 20% of the population that is either Black or Hispanic will grow to close to an overall non-European level of 50% of the American population.³¹

There is nothing intrinsically unfavorable for the international destiny of the United States about such an ethnic composite. The reality, however, is that the present educational and cultural profiles of these groups reflect achievement and behavioral characteristics which have to a great extent lowered the international competitiveness of the U.S. This is especially important, as Peter Brimelow of *Forbes* has shown, racial, ethnic and gender quotas and the bureaucratic and legal costs may be costing the United States almost 4% of its GNP today (\$236 billion in 1991) as a tax on maximum efficiency.³²

For example, in all the internal tests of verbal, science, and math achievement, African-Americans who comprise 12% of the population, rarely produce more than <1% of those students deemed college-ready at 17 years of age. The total American percentile of such readiness is a dismal 6-7%, with Hispanics at about < 2% (although around 8-10% proportion of the non-illegal alien population), and a very high dropout rate. Whites produce a readiness cohort in the 9% area.³³

In SAT achievement scores, though there has been some marginal improvement in African-American scores, the latter still lagged some 200 out of full 1600 points behind white students. Some 73.5% of the African-Americans who took the verbal SAT, range, presumably the elite students in this ethnic group, scored below 400, compared to the 32.5% of the whites, who were presumably not college prepared.³⁴

A once-great university such as the University of California-

Berkeley, uses for admissions, a quota for each of its ethnic groups, including the high-achieving Chinese and Korean minorities. Hispanics and African/Americans were admitted to this once premier public institution of higher education with the following combined SAT scores in 1988: 979, Black and 1033, Hispanic, compared with 1269, Asian and 1267, White. The result is a first year class in which White students account for 32.6%, Asians 21.2%, Hispanics 20.9%, and Blacks 11.2%.³⁵³⁶

The decline in overall achievement levels at the highest levels is now also affecting the White population, and adds one additional piece of evidence that the present American decline in creative entrepreneurship as it affects the broader destiny of the entire population profile is likely to continue contracting. There are few who would today deny that the intellectual and educational achievements of a nation powerfully impact on the ability of that nation to create and produce those technologies and services which the educated middle classes of the world desire.

A small example of the manner in which services themselves are impacted on by the cultural profile of a society is to be seen in the tourist industry. In the past Mexico and the Bahama Islands have been negatively affected by reports of attacks on tourists by criminal and underclass elements in these societies.

The recent series of murders of foreign tourists in Miami by underclass gangs has elicited an enormous outcry in Europe. The beautiful climate, the splendid beaches and waters, the sumptuous hotels produced by the entrepreneurial classes, have been economically compromised by the in situ existence of these tragic underclass populations who do not have the educational and social skills to become part of the economic culture. Their existence in effect has undermined this valuable industry, at least in terms of foreign purchasers of these services.

There may very well come a time early in the next century when the overall productive skills of the American population is at such a low international level, perhaps close to Third World impotence, that the recent investments that foreign firms have made in the U.S. to take advantage of a cheap dollar, labor costs, and closeness to a still significant domestic market, will dry up. The labor will be too poor in overall quality considering its relative expense and the middle class market too small to maintain such investments.

International Economic Report Card

The comparison between the United States and Western

Europe is crucial in this recession period, 1993-94. Analysis of the European downturn centers on the impact of high German interest rates on all the EC economies. The Bundesbank has held interest rates up because of the inflationary impact of almost \$100 billion per year being invested in the former eastern zone of Germany in order to bring that sector of the nation up to the standards of the German Federal Republic.³⁷

But, in addition, all of Europe suffers from a socialistic/bureaucratic bloat which has inflated production costs to the point where U.S. as well as Asiatic goods are cheaper on the world market. With the recent arrival of bargain basement East European steel and other goods now searching for a hard currency market, the impact on the nations of the EC has been to smother the economic expansion and to incur serious, and unprecedented, high unemployment.

But these negatives are remediable. In the background is a modern productive infrastructure, much new venture capitalism to take advantage of a growing research capability in all the European nations, and above all an extremely functional group of educational systems now graduating educated youngsters from Ireland and Spain, all the way into Eastern Europe, including Russia itself.³⁸

A leaner, more competitive Europe, even with a less bloated standard of living, will still produce for its citizens a civilized life-style, with most of the traditional cultural as well as material amenities in place, even as they work a bit harder for their fruits.

The situation is quite different in the United States. The competitive regimen that American industry has undergone in the last half dozen years has created a truly leaner and modernized market economy. But the price has been jobs. The number of high-paying jobs for this population of over 250 million people has dwindled radically to a bit over 18 million in manufacturing, as compared to the tax incubus of supporting about 19 million in government.³⁹

There are now too many part-time and temporary jobs being added to the optimistic calculus of employment that is spun out of the Labor Department in Washington, D.C. each month.⁽⁴⁰⁾ Given the existing educational productivity of the nation, the long-run outlook for the large majority of the population does not auger well. Parallel to the down-sizing of the great corporations there should have occurred much more new productivity in the frontier industries to take up the slack.

That this is not happening on anywhere near the scale needed for the United States to long maintain its technological and economic leadership in the world is the dirty little secret that Mr. and Ms. America are not hearing. Too much of the investment wealth that is still pouring into the market place is "old" money derived from the surpluses of a generation ago.

In short, the wise people know that down the line, into the first decades of the 21st century and beyond, there may not exist a productive infrastructure that as recently as the 1980's was able to sop up millions of college-educated individuals in a wide variety of support and service occupations.⁴⁰

As the United States enters a period which Albert Shanker of the American Federation of Teachers has labeled the "dumbing down" of America, the systemic character of our ongoing recession will be fully revealed. Millions of under and unemployed individuals clambering for the life styles of their grandparents, and with such an expectation blaring forth from the propaganda machine of the media egalitarians, could constitute a destabilizing element on our fundamental democratic political forms.

But what can be done for a nation that cannot produce the intellectual and educational infrastructure that once created the industries, technologies, and consequent luxuriant wealth for its masses? What can be predicted for the economic destiny of a once-advanced nation with a proliferating population of the permanently poor? Even for that minority of the fortunate, life in the United States in the 21st century might be akin to that now lived above the earthquake faults in an already trembling, if seemingly benign, California setting.⁴¹

ENDNOTES

1. The positive trade balances of Japan and Germany are axiomatic; see *The Economist*, 10/5/91. As of 1991, Germany is the world's biggest creditor. Less well known is the enormous trade surplus that is catapulting a small, resource-lacking nation such as Taiwan into middle-class affluence. *The Economist*, 5/22/93, estimates that investment in mainland China by Taiwan business jumped from \$3.4 billion in 1991 to somewhere between \$15 and \$20 billion by the end of 1992. Of the approximately \$55 billion invested in the four ASEA nations, Thailand, Malaysia, Indonesia, and the Philippines, between 1985 and 1991, Japan invested 21.2%, and Taiwan, with a population of 20 million, invested 17.6%. *The Economist*, 5/8/93.

2. Recent reevaluations of the G.D.P. of developing or Third World countries, such as Brazil, have increased the G.D.P. per person from \$2,520.00 to \$4,946.00. There is no question but that the bulk of the increase

is created by the more productive and affluent segments of society. (*International Monetary Fund*, "World Economic Outlook," May 1993; U.N. International Comparison Program).

3. This figure is an extrapolation from the statistics of late 1992, in Figgie, H. E. Jr., and Swanson, G. J. 1992. *Bankruptcy 1995*. New York: Little Brown, p. 70.

4. Nearly 70% of China's urban households have color television sets, 81% have washing machines, *The Economist*, 5/15/93. This works out to a purchasing power parity of \$2,460.00 per person, 1.2 billion population, or the third biggest economy in the world. Total exports and imports for 1992 showed China as the 11th largest trader in the world, \$165 billion. Mainland. *The Economist*, 5/29/93/. Mainland Chinese GNP rose 12.8% in 1992.

5. See *New York Times*, 9/25/92, on the explosive expansion of the low-cost Taiwanese computer production. From a relatively low-tech \$8.5 million of computer products in 1980, the Taiwanese have become third in the world, behind the U.S. and Japan by 1992, with \$7.6 billion production, the leader in components: systems boards and monitors, most made for the international computer corporations.

6. See *New York Times*, 3/21/93, on the rush of the U.S. and other foreign auto companies to Mexico to take advantage of rising skill levels and still very low wages. This was the reason for BMW and Mercedes to make the plunge in South Carolina, a highly-paid domestic workforce, unable to compete price-wise with low-wage Asiatic workers in the U.S. luxury car market. Solution: Find adequately skilled U.S. workers in the semi-rural U.S. south. See also Levin, D. 1993. "What BMW Sees in South Carolina," *New York Times*, 4 April.

7. The "European Venture Capital Association" estimates that venture capitalists have poured more than \$6 billion into European enterprises in 1992, 6% more in dollars than in 1991. This is up from \$4.2 billion in 1988. *The Economist*, 5/29/93.

8. It is estimated that 150,000 high-paying jobs have been lost in the downsizing of these American stalwarts. Lloyd Bentsen in 1991, "Speech to Sematech" in Austin, Texas, *Network News Media Reports* (6 July) stated that 2.6 million U.S. industrial jobs had been lost since 1979.

9. Reich, R. 1991. *The Work of Nations*. New York: Knopf, pp. 43-57. Thurow, L. 1992. *Head to Head*. New York: Morrow, p. 29.

10. The spread between high school and college graduates' long-term income has increased 25% in the past 20 years. Real average weekly earnings have dropped by 12% since 1969. (I. Magaziner et al. 1990 "America's Choice: High Skills or Low Wages," National Center on Education and the Economy, June: Rochester, MI.

11. "Economists are increasingly persuaded that the rising inequality cannot be explained by anything as simple as greed, politics, or foreigners. They look to something more deeply ingrained in modern industrialized economies: call it technology for short." *New York Times*, 4/19/93. See also Reich, R. 1991. *The Work of Nations*, op. cit., pp. 203-204. "Among full time, year-round workers, the number who were poor climbed [1978-1987] . . . by 43%."

12. One clue to this U.S. advantage is the fact that our premier European competitor has manufacturing labor costs of \$25.00 per hour to the U.S.

\$16.00. Source: Morgan Stanley, 1993.

13. Wolf, L. 1991. *New York Times*. "Demystifying the Japanese Mystique," discussion of "Pacific Rising" which argues that the source of Japanese prosperity is investment. 24% of GNP compared to U.S. 16%. Also, Sterngold, J. 1991, *New York Times*, 10/6/91, on the irreversibility of the Japanese lead. Japan's trade surplus in 1992 was \$132 billion, but only \$84 billion if imports of services had been included (MITI, 1993). Estimates for 1993 are for a trade surplus of \$200 billion, \$78 billion with U.S., *The Economist*, 5/15/93.

14. Garten, J. E. 1992. *A Cold Peace*. New York: Times Books. Kuttner, R. 1991. *The End of Laissez Faire*. New York: Knopf. Reich, R. 1991. *The Work of Nations*. New York: Knopf. Thurow, L. 1992. *Head to Head*. New York: Morrow.

15. The 1990 National Assessment of Educational Progress (NAEP) writing examination of U.S. 11th graders offers an interesting mirror of contemporary achievement. Nearly half of these students, with barely one year to go before graduation, could not write a minimally acceptable paragraph describing "a haunted house." Only 2% of these students' writing samples would have indicated that the students were prepared for college work a year hence. This compares with German and French high school students who are required to submit to a four-hour essay exam on subjects such as "the development of the U.S. presidency since World War II." 30% of the Germans and 50% of the French pass such exams. See Shanker, A. 1993. "Where We Stand," *New York Times*, 11 July.

16. About 96% of Japanese youngsters graduate from high school, compared with 72% of our own. See McKnight, C. C., 1987. *The Underachieving Curriculum: Assessing U.S. School Mathematics from an International Perspective*. Champagne, IL: Stipes Pub. Co., p. 17. Hodgkinson, H. L. 1989. "The One System," The Institute of Educational Leadership, p. 13. In the history of science, it is universally agreed that the specialized elite technological academy set up by Napoleon provided France with an enormous impetus toward modernization in the first half of the 19th century. Germany's marriage of the research university with industry first showed its mettle in the destruction of the French army in the Franco-Prussian War of 1870. The German university was the model for all ambitious modernizing scholars during the second half of the 19th century.

18. Thurow, L. 1992. *Head to Head*. New York: Morrow, pp. 45-51, *passim*.

19. A *California Management Review* article of D. Mowery and D. Teece of University of California, Berkeley, argues that Japanese firms are investing more on research and development than are U.S. firms and doing so without substantial government funding. They are today exporting technology. In 1980, patents in U.S. by nationality of originator: U.S. 60.4%; Japan 11.5%. In 1989, these figures were: U.S. 52.5%; Japan 21.1%. By 1990, foreign firms had established 141 labs in Japan for research and development, spending \$1.42 billion. Source: *The Economist*, 5/22/93.

20. Shea, C. 1993. *Chronicle of Higher Education*, 13 Jan. Though more students took the SAT in 1992 than in 1972, only 75,243 scored over 600; the Verbal Test as against 116,630 in 1972. Selective colleges show a declining Verbal score of between 40 and 70 points. See also Singal, D. 1991. *Atlantic*

Monthly (Nov.). Thirty percent of freshmen now need remedial help in reading and writing.

21. Herrnstein, R., and Murray, C. 1991. "What's Really Behind the SAT-score Decline?" *The Public Interest*.

22. Santy, P. 1994. *Choosing the Right Stuff*. Westport, CT, Praeger (in press). Santy reports on the testing of the astronaut candidates for Mercury and Gemini in which Verbal IQs were the most predictive intellectual test for choosing the successful candidates.

23. See the interesting analysis of the causes for this decline in Odom, G. R. 1990. *Mothers, Leadership, and Success*. Houston: Polybius, pp. 269-272.

24. McKnight, C. C., et al. 1987. *The Underachieving Curriculum: Assessing U.S. School Mathematics from an International Perspective*, op. cit. (Jan.).

25. Lapointe, A. E., et al. 1989. *A World of Difference*. Princeton, NJ: ETS (Jan.), p. 17.

26. Lapointe, A. E., et al. 1992. *Learning Mathematics*. IAEP, Princeton, NJ: ETS (Feb.).

27. Terman, L. M. 1925. *Mental and Physical Traits of a Thousand Gifted Children*. Stanford, CA: Stanford University Press. Terman, L. M., and Oden, M. H. 1959. *The Gifted Group at Midlife*. Stanford, CA: Stanford University Press.

28. Stanley, J., et al., eds. 1974. *Mathematical Talent: Discovery, Description, and Development*. Baltimore: Johns Hopkins Press.

29. Lapointe, A. E., et al. 1992. op. cit., p. 10.

30. Lapointe, A. E., et al. 1992. op. cit., pp. 16-17 (Chart, March, 1991).

31. The illegitimacy rate has "progressed" from 1.7% for whites and 16.8% for blacks in 1950 to 16.1% for whites and 66% for blacks in 1989. According to Albert Shanker, President of "The American Federation of Teachers," the overall U.S. illegitimacy rate of 26% to 28% in 1989-90 is expected to reach 33 1/3% by 1995. See Shanker, A. 1993. "Where We Stand," *New York Times*, 6/6/93.

32. The U.S. Bureau of Census, which has consistently erred by understating future population growth, estimates a high end population of 419 million by 2050. Source: *The World Almanac 1991*, p. 554.

33. Brimelow, P., and Spencer, L., 1993. "When Quotas Replace Merit, Everybody Suffers," *Forbes*, Vol. 151, No. 4 (15 Feb.):80-102.

34. U.S. Department of Education. 1986. "The Reading Report Card," *NIE-NAEP* (May) Tables 81-87. Mullis, Ina V.S., et al. 1991. "The State of Mathematical Achievement," *NAEP-ETS*, National Center for Educational Statistics (June). "Fewer than half the high-school seniors (46 percent) demonstrated a consistent grasp of decimals, percents, fractions, and simple algebra [7th grade] and only 5 percent showed an understanding of geometry and algebra [11th and 12 grades] that suggested preparedness for the study of relatively advanced mathematics," p. 7. See also this article, footnote 15. Arbeiter, S. 1984. "Profiles, College Bound Seniors, 1984," College Entrance Examination Board, Table 10.

36. Sowell, T. 1992. *Inside American Education*. New York: Morrow. Cited in *Boston Herald*, 2/4/93.

37. *The Economist* "The economics of European disintegration," 22 May.

38. McKnight, C. C., et al. 1987. "The Underachieving Curriculum," op. cit.

Lapointe, A. E., et al. 1992. *Learning Mathematics*, op cit.

Both these studies underline the high achievement levels of 13- and 17-year-olds behind the "Iron Curtain," even during a period of extreme social turmoil.

39. Kathleen Camilli, of Maria Ramirez Capital Consultants, stated "Manufacturing jobs have gone overseas. Government jobs, on the other hand, have not been exported." (Reported in *New York Times*, 7/19/92.

40. Uchitelle, L. 1993. "Staunching the Loss of Good Jobs," *New York Times*, 31 Jan.

41. The real California earthquake "fault" is, of course, unrestricted legal and illegal immigration, which has changed that once "land of milk and honey" into a social nightmare, 300,000 mostly poor immigrants being added each year. Now, an \$11 billion-dollar state deficit is savaging social and educational services. Los Angeles, in 1992, had a \$400 million educational deficit. It was expending \$4,187.00 per child, per year on public education, now one of the lowest expenditures on schooling by any city in the U.S. Bouvier, L. 1991. *Fifty Million Californians?* The Federation for American Immigration Reform. Gross, J. 1993. "Los Angeles Schools: Hobbled and Hurting," *New York Times*, 10 Feb.

The 'Hollywood Blacklist' In Historical Context

Dwight D. Murphey
The Wichita State University

In November 1947 the leading executives of the American film industry met at the Waldorf-Astoria hotel in New York City and issued the 'Waldorf Statement,' which declared that they would not knowingly employ a Communist or a member of any group that advocated the violent overthrow of the United States government.

Thus, it is almost half a century since the beginning of what is known as 'the Hollywood blacklist.' There ensued a period of years during which most American film studios shunned, sometimes completely and sometimes just in part, a number of screenwriters, directors, screen personalities and assorted industry personnel who had been actively involved in the Communist movement, usually as Communist Party members and almost always as participants in the many 'front-organizations' controlled by the party.

The action by the film-industry executives followed in the wake of the October 1947 hearings of the House Committee on Un-American Activities inquiring into Communism in the motion picture industry. What is today best known about those hearings is that ten witnesses refused to testify, citing the First Amendment, and were sent to prison for up to a year for contempt of Congress. This group is known as 'the Hollywood Ten.'

Today, as then, American intellectual culture is overwhelmingly to the left. It is a major fact about American life that the articulation of ideas from the media, the universities, the public schools, the major publishing houses, television, the avant garde art and literary cultures, and the like, continually indoctrinates us in the *ethos* and mythology of the Left. It is precisely in that context that 'the Hollywood Ten' have been transformed into martyrs and 'the Hollywood blacklist' has been made a catchphrase illustrating the alleged bigotry and hysteria that the Left has so long argued is inherent in American life. The public has been deluged with documentaries such as *Hollywood on Trial* and *Legacy of the Holly-*