



A Secure Future

The U.S. economy is shock-resistant, not shockproof.

Surprise attacks that shut down transportation systems, frightened consumers and created political uncertainty dealt an undeniable blow. After September 11, however, our worst fears never materialized. We avoided the cascade of economic calamities some had envisioned. Our economy had the strength and flexibility to prevent a day of infamy from becoming an assault on the majority of Americans' livelihoods.

Terrorism striking on our own soil may have initially made the United States appear vulnerable. Our response, with military might overseas and economic muscle at home, reinforced America's status as the world's greatest power.

As a nation, we've launched not only a war on terrorism but also a war to protect our way of life. The tactics and the battleground differ from those of the past. But the fight does not. It's a fight we'd already been winning.

A dozen years ago, what happened on September 11 would have been celebrated in the capitals of the Communist bloc. Now, these former totalitarian nations want to be like us. Thirty years ago, American forces retreated from Vietnam, failing to defeat an enemy on the battlefield. Yet a modernizing Vietnam now looks forward to forging a future as a capitalist country. Sixty years ago, Germany and Japan might have



fought on the terrorists' side to destroy America. Today, they've joined nearly every nation in backing our campaign.

America today has more friends around the world and fewer enemies. The world marches to the beat of a culture that sets the pace in music, movies and consumer goods. Around the globe, nations are trying to emulate our economic and political systems. The Heritage Foundation's Index of Economic Freedom for 2002 shows a high tide for democracy and capitalism.

The terrorist strikes were an attack on our system. The immediate targets were the World Trade Center, a symbol of economic power, and the Pentagon, the center of military strength. The larger goal was to destroy our system of democratic capitalism. It won't succeed. America is too big, its people too free, its economy too strong and too flexible—in short, too resilient.

Time and again, America has been tested, either by crises at home or by enemies overseas. No matter what the challenge—the Great Depression, the autocratic forces of Germany and Japan in World War II, the communist foes in the Cold War—we have risen above it.

And we will again.

—W. Michael Cox and Richard Alm



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Exhibit Notes and Data Sources

Exhibit 1 Annual GDP, Consumption and Defense Spending per Capita
 GDP: *Introduction to Macroeconomics*, Alan C. Stockman (Fort Worth: Dryden Press, 1996); "The Estimation of Prewar Gross National Product: Methodology and New Evidence," Robert J. Gordon and Nathan S. Balke, *Journal of Political Economy*, February 1989; Bureau of Economic Analysis (BEA).
 Defense: *Historical Statistics of the United States: Colonial Times to 1970*, Census Bureau, 1975; Office of Management and Budget (OMB); Census Bureau.
 Personal Consumption: *Historical Statistics*; BEA.
 Population: *Historical Statistics*; Census Bureau. 1776 GDP was converted from 1994 dollars to 2000 dollars using the chain-weighted price deflator for GDP. Data before 1929 are GNP; after 1929, data are GDP. 1900–30 defense data are national security spending as a percentage of GNP, calendar year basis. 1940–2000 defense data are on a fiscal year basis.

Exhibit 2 A Broader Economy
 BEA.

Exhibit 3 Foreign-Born Population in the United States
 Census Bureau; *Historical Statistics*. Canada includes Canada, Bermuda and Northern America, not elsewhere classified. *British Isles* includes England, Scotland, Wales, Great Britain not elsewhere classified, Northern Ireland and Ireland. South Eastern Asia data are estimated.

Exhibit 4 More Population Centers, Spread Out Nationally
 Census Bureau.

Exhibit 5 Our National Infrastructure
 Interstate highways: *Statistical Abstract of the United States*, 1989, 2000.
 Public roads: Federal Highway Administration.
 Dams: U.S. Army Corps of Engineers.
 Bridges: Federal Highway Administration.
 Inland water: *Statistical Abstract*, 1977, 2000.
 Airports: *Statistical Abstract*, 2000; Bureau of Transportation Statistics.
 Fiber-optic cable: "How the Fiber Barons Plunged the Nation into a Telecom Glut," *The Wall Street Journal*, June 18, 2001.
 Utility companies: County Business Patterns, 1970, 1999.
 Cellular sites: Cellular Telephone Industry Association.
 Cellular towers: Micrologic Research estimate.
 Web sites and hosts: Hobbes' InternetTimeline, www.zakon.org/robert/internet/timeline.

ATM terminals: <http://inventors.about.com/library/inventors/blatm.htm>; www.cardforum.com/html/news/071700_1.htm.
Petroleum pipeline: *Statistical Abstract*, 1972, 2000.
Natural gas pipeline: Department of Transportation. Earliest data for bridges are for 1983. A cellular site is a configuration of antennas that support service; site data are as of June 30, 2001. Data are the most recent available and vary from 1998 to 2001.
Capital Stock per Person
 BEA; Census Bureau.

Exhibit 6 Knowledge Is Power
 High school and college education: Census Bureau.
 Master's, doctoral and professional degrees: National Center for Education Statistics.
 Home computer and Internet access: Census Bureau.
 Patents: U.S. Patent and Trademark Office.
 Median age: Census Bureau. *Professional degrees* includes D.D.S or D.M.D., M.D., and LL.B. or J.D. degrees. 1950 LL.B. and J.D. degrees are estimates based on data trends; 1955 number was 8,209.

Exhibit 7 Military Deaths
 Defense Department.
Defense Spending
Historical Statistics; OMB.

Exhibit 8 Economic Downturns
 National Bureau of Economic Research. Data end in March 2001 because of questions about how to measure the economy's performance for the remainder of the year.

Exhibit 9 Deviations from Trend Real Growth
 BEA. Deviations are derived by applying a Hodrick–Prescott filter to the log of each (inflation-adjusted) series under observation—structures, goods, services and GDP.

Exhibit 10 Transportation: Scope and Safety
 Motor vehicle travel: *Historical Statistics*; Federal Highway Administration.
 Air travel: *Historical Statistics*, Air Transportation Association; Census Bureau.

Exhibit 11 Life Expectancy at Birth
 Centers for Disease Control and Prevention (CDCP); *Statistical Abstract*, 2000.
Age-Adjusted Death Rates
Historical Statistics; Census Bureau; CDCP.
Deaths Due to Natural Causes
 CDCP.
Natural Disaster Fatalities per 100,000 People
Statistical Abstract, various years; *Historical Statistics*.
Deaths from Disease
Historical Statistics; *Statistical Abstract*, various years; CDCP.

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