



CLINTON v. TRUMP



**Who's Better For The Economy, Business
& Maintaining Social Security/Medicare?**

Using the Teachings of Peter F. Drucker (& Others) to
Evaluate Alternative Proposals to Make America Grow Again
Part II

A Two-Part Series Mini-Series E-book

Presented by:



**MANAGEMENT
MATTERS**NETWORK

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INTRODUCTION: PART II

Said Peter F. Drucker: “Intellectual arrogance breeds disabling ignorance.”

With all the economic measurements (e.g., GDP, labor force participation ratios, business investment) defined and computed, it becomes possible to compare actual results of economic policies versus predicted results.

One would think the significant and disappointing deviations from planned versus actual results of many economic policies demand a change in strategies.

Organized feedback from actual results should lead to systematic review and continuous revision of a given set of strategies.

If this is not done, persisting with the wrong course of action continues indefinitely.

This cannot be repeated often enough. Feedback from actual results illuminates where improvement is needed and what kind of improvement is needed. We learn from feedback.

That’s one of the key message we tried to convey in **Part I** of this e-book. The economic powers that be are not responding to feedback from actual results.

They are, apparently, locked into decisively disproven assumptions about what works and what doesn’t work to reignite economic growth.

When results continuously deviate from expectations, there are only two courses of action: change strategies or lower goals.

It appears economic policymakers have selected lowering economic growth goals.

Needed: A Change In Economic Policies

Part I attempted to explain – in clear, simple language – what 400 years of economic thought & history have taught us about the results of irresponsible political actions that have, in the past, led to economic crises.

Unfortunately, if the same mistakes are repeated we will have only ourselves to blame.

As discussed in Part I, there are essentially only two economic models – namely, the Neo-Keynesian economic model and the Neo-Classical economic model.

The Neo-Keynesian model asserts – among other assertions – government deficits stimulate the economy.

Using data collected and presented by celebrated economist Arthur Laffer in the Wall Street Journal, we highlighted, in Part I, the fact: there is no empirical evidence (after all these years) that government spending stimulates the economy, let alone one of government spending turning around the recession or depression.

We also, in **Part I**, shared the thinking of Peter F. Drucker with respect to why Neo –Classic economics has become a winning formula/standard prescription for turning around an economy after it had floundered under Neo-Keynesian (or statist/centralized government controlled). economics. [\(For more check out our article *How to Reignite Economic Growth*\)](#)

It's Time for A Reality Check

The question is: why after nearly 60 years of preaching the proven success of Neo-Classicism, teaching (in many schools) Neo-Classicism, professing Neo-classicism, so few politicians are willing to use as the basis for reigniting economic growth, we cannot fully explain.

That said, we once again suggest readers purchase a copy of Drucker's **Managing in A Time of Great Change**, and read Chapter 25 (*Can Democracies Win The Peace?*).

Drucker brilliantly explains and illustrates the poverty of current economic theory and resulting economic policies that have caused corrosion and spreading decay of domestic society and a host of other ills that promises to bankrupt Democracies worldwide if left unchallenged.

Further, in **Part I**, we explained the potential for a galloping inflation if slow/low economic growth continues and government printing presses work overtime.

Said Drucker in **Toward the Next Economics**: “Every economist since the late 16th century has known how to {stop even before it starts, the root causes of inflation and reignite economic growth}: cut government expenses and with them the (tendency to) create money...

...What economist lack is not theoretical knowledge... It is political will or political power... And so far all inflations have ended by politicians who had the will rather than by economists who had the knowledge...”

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CHAPTER
SEVEN

GALLUP'S JIM CLIFTON

On The Economy and Making
America Grow Again: Part I





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on the Economy and Making America Grow Again: Part I

Contributor:
Elizabeth
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A Jim Clifton, the chairman and CEO of Gallup, has his finger on the pulse of the world economy and world sentiment. The worldwide organization built on the research of pioneering pollster George Gallup is a leader in public opinion research and advanced analytics.

Clifton is passionate on the subject of how jobs are created by innovation and entrepreneurship. Innovation and Entrepreneurship happens to be the title of one of Peter F. Drucker's best-known books.

Drucker was one of the first people to recognize the critical role that entrepreneurship plays in spurring economic growth when he taught the first course in the country on the topic in 1967.

Clifton's and Drucker's writings also focus on the core principle that people should focus on their strengths. Drucker believed that management is about human beings and "making their strengths effective and their weaknesses irrelevant."

Jim Clifton was also inspired by the teachings of his father, Don Clifton: "Dad spent his whole life figuring out people's strengths. He said weaknesses never really develop, and strengths develop your whole life."

Don Clifton and Peter F. Drucker spent hours discussing, even arguing, about the practice of management. "Peter Drucker had a huge impact on Dad, and I am sure Dad had an impact on Peter too," says Jim Clifton.

In the interview below, Jim Clifton, author of *The Coming Jobs War*, explains why America needs to return GDP growth to 3.75% in order to create good jobs.

Clifton warns that middle-class jobs are shrinking, and this job loss has created a class of "invisible Americans." Clifton's belief is that only start-up businesses can generate the new ideas and industries that can ultimately grow the economic pie and fund our future.

This interview has been condensed for clarity.

Q: In your book, *The Coming Jobs War*, you say creating good jobs in the United States is critical to the viability of our democracy. Why?

A: Over the last 150 years, we Americans have so outperformed the rest of the world that our expectations for our quality of life are extraordinary. It is an exceptional place here; we have a massive middle class.

So if you had said, about 150 years ago, in what arenas is this country, America, going to dominate the whole world? One answer would be, you need to dominate the world economically, or you can't militarily.

And that is what we did. From 1858 through 2008, we grew GDP at an average rate of 3.75% every year and became the 800-pound gorilla. We became 25% of the whole world's GDP. It looked like we would never stop booming.

Until recently, we have had plenty of full-time jobs. Unless we have that extraordinary performance, where we outperform the rest of the world, then the pie starts to shrink. And when the pie shrinks, everything changes. The middle class is crushed.

The Economic Pie

Q: What is the big-picture impact of lower GDP growth?

A: One thing that is true in the world today: We don't have the economic strength we used to have.

The economic pie is the economy—everything that 330 million citizens produce and consume. What we make and sell to one another and to other countries (exports) is GDP.

If you look at the United States as a company, we are about \$18 trillion of sales and 100 million full-time and 50 million part-time employees. The \$18 trillion is the pie—and then you divide it by the number of citizens. It is increasing at a decreasing rate.

Q: What accounted for the growth of the pie?

A: The pie grows per citizen when America has GDP growth, which is created by new firms starting up and then scaling up. Nothing else creates sustainable organic growth from the hearts and minds of its citizens.

Q: Why is growth so important to America?

A: America has to create the next new way humans survive and thrive—the future. It is very exciting because when American free enterprise is thriving, within that energy lies real human development.

That's the core character of American exceptionalism. The economic pie is not "recovering," as you will read almost daily in many publications.

Q: The Wall Street Journal and the New York Times, among others, say the economy is recovering. Isn't that at odds with what you're saying?

A: Yes. That is because both of them are brochures. One is a brochure for the Democrats in the White House, and the other is a brochure for Wall Street. They always want people to say that the economy is doing well.

It is increasing at a decreasing rate, and there is no [political] right or left side to that.

The Invisible American

Q: Didn't the Fed just say we have impressive job gains, with an increase of 150,000 jobs?

A: The gain comes from 400,000 new jobs and 250,000 jobs that have disappeared, so the net is 150,000 jobs.

Q: What is the impact of all those disappearing jobs?

A: There is an invisible American who had a good job, made \$80,000 a year, and lost that job. That job was wiped out to sea. Now he has to take a part-time job, or even a full-time job, often in retail, making \$25,000.

Q: Where does that leave the middle class?

A: The middle class is getting crushed by us performing at 1.7% rather than performing at 3.75%. To fix America, so we don't have a revolution, we have to get the pie growing again. That is the only thing that will bring the middle class back.

Q. What do you mean by “the middle class is getting crushed”?

A: It means that the middle class—households earning a wage where they can comfortably raise a family and have affordable housing and education and health care—is shrinking.

As many as 10% of U.S. adults tell Gallup they have dropped out of middle class to lower and working class—10% of the 250 million adults is 25 million people whose economic lives have crashed. And it continues to shrink. Those 25+ million people are invisible in the current 4.7% official unemployment rate.

Q: Was there ever another time when U.S. growth was this low?

A: Reagan came in at a good time, at the bottom of a recession with low growth and got a bounce, so he went the first four years with a 4 being the first digit: 4.2%, 4.3%, 4.5%, 4.4%. Somehow we boomed it back then. After this last recession, we got no bounce, and that is choking the life out of us.

Q: How can the U.S. get back on top and restore the middle class?

A: If we had 3.75% growth for ten years, we would re-dominate the world economically. That is the big number.

GDP growth is so important—and so few people understand it. Gross domestic product is sort of a throwaway term, and it gets abused and abstracted. It alone can restore capitalism and the healthy middle class.

Q. Will entitlements such as Social Security, Medicare, and government pensions be slashed due to slower GDP growth?

A: I don't think they will be drastically cut—the voters won't allow it on either side of the aisle. My own math says that these entitlements don't have to be drastically cut, but rather their increase slowed down.

If Congress would slow the increase and GDP would bounce back to 3.5% or so, everything would actually work out.

Q: Does printing money or taxing individuals and corporations help the GDP growth?

A: No. These both make it worse. We do these when we have given up on human development.

Grassroots Growth

Q: How can we bring back the 3.75% growth and restore the middle class?

A: Growth comes from jobs—and jobs come when firms start and when firms scale.

Q: Are all new businesses start-ups?

A: If your firm closes, you might start up as a self-employed consultant. You can count this as new businesses, if you want. Then the number is about 450,000 a month. I don't actually count them as a "firm" until they hire one other person.

Q: What is happening with start-ups?

A: That number, up until about five years ago, was 500,000 firms that were starting every year—and 400,000 failing. Five years ago those lines crossed, so we have 500,000 firms failing and 400,000 starting up. Hence, a shrinking pie.

Q: Where do most good jobs come from, these start-ups or from big corporations?

A: About 1 in 10 of these new firms will scale up, or shoot up. That is where two-thirds of all good jobs come from. The big companies actually shrink jobs because it is just their nature.

Acquisitions are always going on. They are higher than they have ever been in America.

Fifteen years ago, we had 8,000 public companies listed on the Nasdaq and the Public Stock Exchange; it is down to 3,700 this morning [Oct 10th] because they each eat each other. What happens if I am a Fortune 500 company and I buy a tool company or something? Sales go up a little bit, but what you don't see is the tool company is gone.

So the growth, real organic growth, has to come from the grass roots, from the business start-ups. Until new businesses begin starting and the ones that separate themselves and scale up begin to grow in number, our economy will never come back.

American Free Enterprise

Q: Can America hold onto the new industries created by these start-ups?

A: New jobs were created as companies and industries were born from automobiles to airplanes. U.S. manufacturers made the first microprocessor, the first firecracker, and the first raincoat, and then decades ago, that production moved. That is still happening.

New jobs were created as companies and industries were born from automobiles to airplanes.

America has to create the next generation of customers who cause new human development, such as the Internet, the aeronautical industries, solar power, satellites, Facebook, and world-class code. And then go ahead and lose the second generation of production and manufacturing to China, India, Africa, and the Middle East. This works.

Q: So is it entrepreneurs and their ingenuity that drive the economy?

A: It has for decades. America has to create the next new way humans survive and thrive—the future. It is very exciting because when American free enterprise is thriving, within that energy lies real human development. That's the core character of American exceptionalism.

New firm start-ups and scale-ups are what we need—nothing else fixes America.

For more from Gallup's Jim Clifton, turn to Part 2. In that installment, Clifton explores the role of millennials and city leaders in creating new jobs as well as Gallup's recent initiative to teach "strength finding" to college students.

CHAPTER
EIGHT

GALLUP'S JIM CLIFTON

On Entrepreneurship and Millennials
in the Workplace: Part II





CHAPTER EIGHT

GALLUP'S JIM CLIFTON

on Entrepreneurship and Millennials in the Workplace: Part II

Contributor:
Elizabeth
Edersheim, Ph.D.

Jim Clifton, the chairman and CEO of Gallup and author of *The Coming Jobs War*, oversees one of the largest research and polling organizations in the world.

In our interview with Clifton, he talks about how to make America grow again. Part one of the interview identifies start ups and scale ups as the essential ingredient to get GDP growth back to the historic rate of 3.75% a year. Part two focuses on how to make that a reality.

As Peter Drucker said: "I never predict. I simply look out the window and see what is visible, but not yet seen." Here is Jim Clifton's vision of tomorrow and his plan to address its new challenges.

This interview has been condensed for clarity.

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Q: What can be done to encourage and even facilitate healthy start-ups and scale-ups?

A: We must recognize the uniqueness of entrepreneurs and intentionally cultivate and mentor them, like we do star athletes.

Next, we must engage millennials in these scale-ups in a manner that serves their differences and the greater good.

And lastly, we need to address the needs, city by city. We need tribe leaders.

We can fix this.

We must recognize the uniqueness of entrepreneurs and intentionally cultivate and mentor them, like we do star athletes.

Entrepreneurs

Q: How would you characterize entrepreneurs?

A: The only good thing about turning 65 is that I have known so many entrepreneurs and had many as clients. Their stories of how their companies started are so random.

You need an alpha male or an alpha female—someone who has a rare determination—because there are so many days that look like you won't make it.

It's almost like starting up a rock band. You need a lead singer or it won't work. You do need someone that can write the songs, and play the bass guitar and rhythm—that sort of thing too. Some people don't have the determination.

Q: How much structure do entrepreneurs need?

A: Entrepreneurs have an extraordinary need for structure to stay on track. And simultaneously, they have an enormous need for independence.

They need some key people around them with strengths that complement each other—for example, the entrepreneur's rare determination coupled with someone else's organizational ability. But you can't just have anybody's organizational ability because starting a company is so messy and so unpredictable.

Q: Is there a method of encouraging entrepreneurs?

A: We have a whole system for cultivating and grooming great football players but nothing to support entrepreneurs. It drives me crazy.

If you happen to be a star running back in West Texas or California, the whole country knows who you are from the time you are in high school, even middle school. And we create an environment for you to go to Southern Cal and then to be a Green Bay Packer. Everybody expects you to do something great.

One theory is that you become what other people expect you to become. Have you ever heard of someone telling a middle-schooler they expect them to be a great entrepreneur?

As a society, we believe entrepreneurship is trainable. We don't believe that sports and natural ability to learn are trainable. We believe those are God-given.

The development of NBA and NFL players in this country is so intentional and systematic. No great running back is ever left behind.

Strengths

Q: Is Gallup doing something to address this issue?

A: We plan on making the Don Clifton Strengths Institute at the University of Nebraska the site of the first experiment to make the development of the God-given gift of entrepreneurship highly intentional and systematic, including early identification and accelerated development.

The thousand kids that come into business school will each take CliftonStrengths, which Don Clifton invented.

Q: Why is identifying your strengths so important to a young person's career and to their life?

A: The question is, what can you build? How can you leverage your strengths and build something?

You might build a church, a day care center, a nonprofit. Just build something. And build as much as you can. We were put on this earth to build as much as we can, and dad said there wasn't a class for that.

Build a career around your strengths instead of your weaknesses. You can't ignore your weaknesses, but you can minimize them to make a life where your dreams come true. This was Don Clifton's belief, and it is mine too.

Q: Can you give me an example of the power of this approach?

A: I mentor a couple of kids. When they understand their top five CliftonStrengths, they often didn't even know they had them. They put them on their résumés, and when they show up at their new jobs, they have a whole new presence when they know what their strengths are.

The same thing is true when you start up a company. When you know your strengths and weaknesses, you are more likely to leverage them, and you are more likely to have the confidence to do things you wouldn't have otherwise.

Q: How much are you spending on this new program?

A: This is a pretty big experiment in human development. We put in \$30 million. With that, we are looking to develop combinations of strengths for creating start-ups and scale-ups.

We will give them special attention, like you would star quarterbacks. These will be kids with a high potential to build something of importance.

Q: Once you get it started, what is your long-term goal?

A: Our plan is to demonstrate it at the University of Nebraska and then plug it into the top 200 universities and then 1,200 campuses. We think it is America's best chance to reignite the economy in a highly sustainable way.

Somebody needs to save the American economy because I don't think either Washington or the voters are going to, so maybe Gallup and the University of Nebraska can.

Millennials

Q: Jim, do you think millennials need to be managed differently than the prior generation?

A: Here at Gallup, we have something called the Great Hall and there are a number of interesting top executive types in there right now asking the same thing as we speak.

Because we have found something that we think is quite profound in the difference between millennials and the generations before and after. Because I have just turned 65, I am almost the perfect contrast group to the millennials.

We have found that if they are not managed differently—not better, differently—than the boomers and the Gen-Xers, America is going to miss a rather terrific productivity opportunity.

Q: Are you really so different from today's young people?

A: For me, I went to business school at the University of Nebraska. I just wanted to have a salary of \$20,000. I didn't care what the job was because my pride was in my family.

I didn't have one yet, but I knew what I wanted. I wanted a wife, three kids, a house, a yard, and a Chevy station wagon—that was my great American dream and all my friends' and everybody else's too.

So if someone said, I got a job, and they would be asked, what's the job, and oh, you'll sell cigarettes or some kind of product that will make people sick. That is not what I am doing. I'm just going through the motions because my great American dream is in my family, not in my job.

Q: Why is that different from the millennials?

A: The status of that has flipped. Now with millennials, their great American dream is in their job. It is about the purpose of it. So if you were to hire me, Jim Clifton, 40 some years ago, and started talking about the purpose of my job, I would say, "You are boring me. Why are you doing this? I don't care what it is."

Q: You are saying millennials have to feel like they are part of something, right?

A: When the millennial comes into the workplace, if you don't address purpose, you don't get them, you don't engage them, you will never maximize what they do because it is no longer about pay. It is more about purpose. It has been a switch from pay to purpose.

The will of the workplace has changed. The pay in the workplace has to be fair. But for you to get me to start, for you to get me, you have to tell me my purpose. If my job doesn't have meaning, my life doesn't have meaning.

And I have to believe I will be mentored and learn in my job—it also has to build me. But with Jim Clifton, if my job didn't have meaning, it didn't make any difference. Because for me to have meaning was with my family.

That is the short story of a profound change that has been coming slowly and then suddenly is here.

Q: Do millennials start companies?

A: Millennials will be better employees than boomers and Xers. But they don't start companies. Boomers started companies. Millennials don't.

Millennials will be better employees than boomers and Xers.

Q: Why don't millennials start companies?

A: I just got a note from Social Security. I am 65 and I can start getting \$2,800 a month. I have that security. If you ask me, "Do you think your kids will have money for retirement?" I don't know about my kids. I know my grandkids will not have Social Security. The debt can't be paid. It is too hard to.

But the kids now know that; they didn't used to. It is no longer a secret that they will not have entitlements.

Kids come out of college, and the world is different. You come out of university with \$150,000 of debt, and you also have an awareness that the government can't take care of you like they did Grandpa. You're probably not in the mood that I was to borrow \$5,000, 40 some years ago to start up a company.

Q: What was it like for you and your generation?

A: It was really easy to start a company 40 years ago. You just had to go to the bank. They gave you a checkbook, and you could get started. But now when they start talking about all of the government regulation, you start to scratch your head and say, oh my gosh, I have to get an attorney. I can't do any of this.

You have three things: (1) concern about your future financial security, (2) college debt, and (3) a big heavy wet blanket from the federal and state governments that cause you to think twice about starting a company.

This has absolutely stopped the start-ups and scale-ups.

Q. How else are millennials impacting America?

A: Millennials are altering the very social fabric of America and the world. They're waiting longer to get married and have children, and they're less likely than other generations to identify with specific religions or political parties. Millennials will change the world decisively more than any other generation.

Q: Will the CliftonStrengths help address that issue?

A: With mentoring and support, start-ups happen. CliftonStrengths will help students understand and manage through these challenges so they can build tomorrow.

Cities

Q: You wrote, "Successful local companies are not just the engines of job creation, but also the engines for local social and community improvement." Explain.

A: The country tends to rise and fall on the success of cities. Look at Nashville versus Memphis. Memphis is not doing very well, and Nashville never stops going.

If you go to Sioux City, Iowa, and Sioux Falls, South Dakota, they're like twins separated at birth. Both cities are close to the Missouri River, and Sioux Falls is booming, while Sioux City hasn't worked right for the last 20 years.

Detroit 40 years ago was the richest city in the world. It was a big celebration of life, free enterprise, and capitalism. If I went to New York or San Francisco, they would tell me, don't leave your hotel room after it gets dark. Now Detroit has crashed, and New York and San Francisco are a big part of saving America.

Q: What accounts for this "tale of two cities"?

A: When you have real strong city mothers and fathers, people that mentor and invest in their city and city institutions, cities embrace entrepreneurs.

For most people, loyalty to a city is stronger than the loyalty to their country. They know the people; they know the schools; they see the streets. They would rather die than lose the loyalty of their city.

But then you get a generation transition, and just like you do with children taking over companies, children taking over cities is less straightforward.

They tend to be rich and highly influential people, with less sense of responsibility. And whether they really go to work on taking the city to the next level is variable.

Q: Is there anything to be done about this?

A: I think it is very fixable, but we have to change our mindset on how a company starts. America re-wins the world by taking the country's entrepreneurship and innovation up a notch.

But that can be accomplished only with the assistance of effective local tribal leaders. Few people recognize the importance of cities, much less the importance of tribal leaders.

The heroes America needs for this moment in history will come from those who guide, advise, encourage, and mentor a small business or social enterprise to success, which is the conception moment that saves a city and a country.

But then you get a generation transition, and just like you do with children taking over companies, children taking over cities is less straightforward.
