

Kids And Capital

A surprising remedy for Americans' notoriously low rate of personal savings is perceived by James McNeal, writing in *American Demographics* (Sept. 1990).

Today, children are viewed by business as independent customers. But just how much clout do children actually have? Almost \$9 billion worth, according to a nationally representative sample of children ages 4 to 12 surveyed in 1989. This figure is up from \$4.7 billion in 1984, an 83 percent gain.

Children's income averaged \$4.42 a week, or \$229.84 a year in 1989. . . . Allowances

have increased from 49 percent to 53 percent of children's total income

The overall saving rate of 30.5 percent is the highest recorded for children in two decades. Between 1968 and 1984, the saving rate was fairly steady, at around 15 percent, so the doubling of the rate in five years is remarkable. It could be that parents are providing children with more money, and children are spending more and saving more. Or children might be learning the virtue of savings. As more parents work, they may be encouraging their children to become more self-reliant by managing money at an earlier age.

just assembling them there) to win a precious "made in the EC" label. Japanese products that don't have at least 60 percent European content are subject to anti-dumping duties. The result: Computer makers have stopped buying U.S.-made chips for computers sold in Europe; U.S. and Japanese chip-makers are now building factories in Europe rather than the United States. Thus, concludes Hufbauer, the new technical rules "will very likely shift the balance of the world's trade in semiconductors."

In the new world-trade environment, Hufbauer continues, the flag a corporation flies does not necessarily mean much. Thus, the EC seems likely to impose quotas on imports of Japanese cars. Ford's European division is a strong backer of such a measure; the U.S. plants (and workers) of Honda and Nissan are likely victims.

Indeed, says Hufbauer, one of the larger questions raised by European integration is whether certain U.S. policies are outmoded. Do tough U.S. antitrust laws make sense if they merely hamper U.S. corporations, and if corporations are dividing up markets on a global rather than a national scale? Do Depression-era laws restricting the commercial activities and geographical scope of major U.S. banks still make sense now that European banks are operating freely throughout Europe and are growing larger than their U.S. rivals?

Hufbauer says that the United States has already lost its monopoly on leadership in world economic policy. The largest question now is whether Washington will find the wisdom to share power with Tokyo and Brussels, or whether the United States ultimately will be left with none of the marbles.

SOCIETY

Women and Wealth

"The Changing Fortunes of American Families in the 1980s" by Katharine L. Bradbury, in *New England Economic Review* (July-Aug. 1990), Research Library-D, Federal Reserve Bank of Boston, 600 Atlantic Ave., Boston, Mass. 02106.

The poor got poorer and everybody else got richer. There is no longer much question that that is what happened in America during the 1980s. Now the politically

charged question is, why?

One answer is provided by Bradbury, an economist at the U.S. Federal Reserve Bank of Boston. She begins by making two

points. First, the poor got poorer because of losses they suffered between 1979 and 1984; they actually began gaining ground again in 1985. Second, thanks largely to increases in social security payments, the elderly did spectacularly well during the decade. In 1979, 42 percent of the elderly were in the poorest "quintile" of the population; by 1988, only 30 percent were.

Most of the losses by poor nonelderly families are explained by reductions in the contributions of men to family income. As is well known, more and more families are poor because they lack a male breadwin-

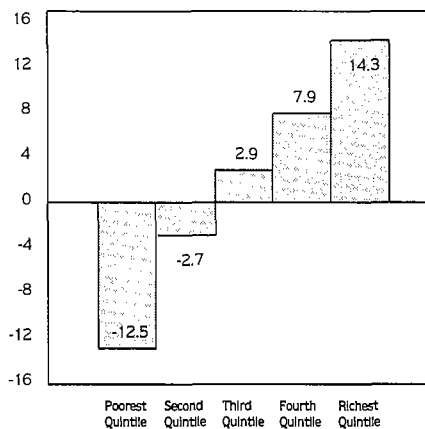
ner; by 1988, 60 percent of all families in the bottom income quintile (average income: \$9,150) were female-headed. But that is not the whole story. Unemployment among men in poor families also grew. Even more alarming, however, is the fact that poor men who did work earned less. Their annual incomes dropped from \$8,600 in 1979 to \$7,550 in 1988. One reason may be the disappearance of many factory jobs during the 1980s.

In fact, men in every quintile but the wealthiest experienced a drop in earnings during the 1980s. But even men in the top group (average 1988 income: \$83,400) increased their earnings by only a relatively meager seven percent.

The gains of the most affluent families were chiefly due to the fact that more women in these families went to work, and that employed women in general brought home bigger paychecks than they had before. In the top quintile, the proportion of women with jobs grew by 11 percent. By 1988, 80 percent of all women from these "wealthy" families were working, more than in any other income class. The earnings of these women also grew appreciably, jumping from \$17,650 in 1979 to \$23,300 in 1988.

In short, Bradbury says, most of the families that got ahead during the 1980s did so because of "increased family work effort." Whether that translates into increased family well-being, however, is another debate entirely.

**The Change in Family Incomes, 1979-88
(Nonelderly Families)**



The stark portrait of inequality above changes if the elderly are included: Then, only the poorest quintile loses ground (five percent).

Enlightening New England

In 18th-century France, embittered intellectuals who were excluded from the higher circles of the literati stayed in Paris and helped incite a revolution. In America, writes Jaffee, a historian at City College, many of their frustrated counterparts became rural cultural entrepreneurs, "adopting and enlarging for mass consumption the democratic impulses of the American Revolution." They achieved nothing less than a marriage of commerce

and culture, kindling what Jaffee calls the Village Enlightenment.

One of these new entrepreneurs was Robert Thomas, a Sterling, Massachusetts, farm-boy-turned-merchant who founded the *Farmer's Almanack* in 1793. Thomas went beyond the astrological and weather predictions that were almanac staples, filling his *Almanack* with advice about such matters as child-rearing and farming. "The knowledge he promoted was preeminently

"The Village Enlightenment in New England, 1760-1820" by David Jaffee, in *The William and Mary Quarterly* (July 1990), P.O. Box 220, Williamsburg, Va. 23187.