Were it not for these factors, the authors calculate, national saving would be three-and-a-half times what it is. "Today, 70-year-olds are consuming, on average, roughly one-fifth more than 30-year-olds; in the early 1960s, they were consuming [only] slightly more than two-thirds as much." Social Security puts more money in older Americans' pockets, and the certainty of receiving that monthly check encourages spending. The fact that Medicare provides "in-kind" benefits, rather than cash that could be saved to bequeath to one's heirs, also boosts consumption.

Browne, senior vice president and director of research, and Gleason, senior research assistant, respectively, of the Federal Reserve Bank of Boston, agree that the federal government is an important culprit. In 1960, for example, a federal budget surplus increased saving by 2.5 percent of gross domestic product (GDP); in 1995, federal "dissaving" amounted to 1.2 percent of GDP. Increased transfer payments—for Social Security, Medicare, public assistance—account for the change.

But the real puzzle for researchers is why personal saving dropped so sharply, from about seven percent of personal income in 1960 to four percent recently. It's not that people are buying more "stuff," the authors point out. Outlays for durable goods such as cars and washing machines amount to about 10 percent of income today, a bit *less* than 35 years ago. Americans instead are consuming more services, chiefly medical services but also education, business services, and the like.

"Thus, the saving problem is not about thrift versus profligacy, good versus bad," Browne and Gleason comment. "Rather, it is a competition between two 'goods'—more and better medical care, on the one hand, and more investment, on the other."

Gokhale and colleagues believe that investment will continue to be the loser in the coming years: "Anemic rates of saving will spell anemic rates of domestic investment, labor productivity growth, and real wage growth. This is the legacy of the uncontrolled intergenerational redistribution from young savers to old spenders."

Pension Fund Socialism

"The Social Ownership of Capital" by Richard Minns, in *New Left Review* (Sept.–Oct. 1996), 6 Meard St., London W1V 3HR.

Communism may have proved a resounding failure, but socialism—of a sort—has, almost unnoticed, won the day. In the United States, the United Kingdom, and elsewhere, employees have become, through their pension funds, owners of "the means of production." In 1994, pension funds worldwide held accumulated assets worth $10 trillion, an amount equal to the market value of all the companies listed on the world's three largest stock exchanges.

The one thing the new worker-owners lack is control, complains Minns, a former financial officer of the Greater London Enterprise Board who now works for the European Bank for Reconstruction and Development. "Instead, they and their savings are hostages to a financial regime which systematically searches for the highest rate of return regardless of the consequences for employment, the environment, or the state of the social infrastructure." Of the $7.5 trillion in pension fund assets in the United States and United Kingdom, he points out, about 80 percent are managed by professional investment firms.

Doesn't it make sense for workers to leave investment decisions to those financial experts? Not in Minns's view: they "are notorious for their short-term investment practices, spurring unproductive and costly take-over battles, and prioritizing short-term dividend payments at the expense of broader economic and welfare considerations." In the end, "high profits from investment at the cost of reduced jobs do not create better pensions or more secure pension funds."

But shifting control of corporate capital to labor, Minns observes, is no easy matter. In the mid-1970s, Rudolf Meidner of the Swedish Trade Union Confederation proposed requiring large companies to issue new shares equal to about 20 percent of profits, with the shares to be owned by wage-earner funds controlled by trade unions. But even worker-friendly Sweden could enact

only a watered-down version of the plan.

Minns sees "no need to be dogmatic" about how to give workers more say over their equity capital. But he favors "a Meidner-type plan" for Britain that would award 51 percent of all seats on pension fund management and investment committees to employees or their representatives.

The Forgotten Economic Crisis of '68

"The Economic Crisis of 1968 and the Waning of the 'American Century'" by Robert M. Collins, in *American Historical Review* (Apr. 1996), 914 Atwater, Bloomington, Ind. 47401.

There have been many accounts of the 1960s, and of the tumultuous year 1968 in particular, but strangely missing from most of them, writes Collins, a historian at the University of Missouri at Columbia, is "the most serious economic crisis since the Great Depression." The crisis of 1968 "marked the beginning of the end of America's postwar economic boom," he argues, and helped persuade President Lyndon B. Johnson to cap escalation of the Vietnam War and curtail the Great Society.

The crisis—which culminated in March in a speculative run on gold ("the largest gold rush in history," *Time* called it in a cover story)—was brought on by a combination of factors, Collins says. The "most deeply rooted" one was chronic U.S. balance-of-payments deficits. The causes: increased spending overseas, both by American tourists and a U.S. government vigorously prosecuting the Cold War, as well as increased imports from an economically resurgent Europe. The deficits produced a glut of dollars abroad, weakening other nations' confidence in the dollar. (The dollar was then tied to the gold standard, while other nations' currencies were tied to the dollar.)

The Johnson administration's massive expenditures on the Vietnam War seriously aggravated the balance-of-payments problem and also fueled inflation. LBJ received advice as early as December 1965 from Gardner Ackley, chairman of his Council of Economic Advisers, to increase individual and corporate income taxes in order to cool down the economy. But Johnson—fearing this would play into the hands of war critics and spell the end of his Great Society—resisted for a year and a half. Finally, in August 1967, he called for a major tax hike, only to see the bill held hostage in Congress by fiscal conservatives who wanted to trim domestic spending. Inflation worsened.

Amid rising international concern about America's problems early in 1968, foreigners sold dollars and bought gold. In response, the United States and other nations made certain changes to return the international monetary system to working order, and LBJ and Congress finally agreed on a tax increase—together with a $6 billion spending cut. But the gold crisis weighed on U.S. policymakers. "These monetary and budgetary problems were constantly before us as we considered whether we should or could do more in Vietnam," Johnson later wrote. "It was clear that calling up a large number of troops, sending additional men overseas, and increasing military expenditures would complicate our problems and put greater pressure on the dollar." That helped him to decide on a different course: expanding South Vietnam's role in its own defense.

In any event, the makeshift solution of 1968 ultimately could not conceal the weakness of an international system based on a gold-backed dollar. The U.S. economy could no longer support the burden. After another global monetary crisis, in 1971, Collins notes, President Richard M. Nixon "closed the gold window." No longer would the dollar be convertible to gold. By 1973, a new system based on floating exchange rates was in place, and the dollar was reduced to the role of first among equals in the world.

SOCIETY

It Takes a Village

A Survey of Recent Articles

A majority of Americans now live in suburbia, but if a recent Gallup Poll is any indication, most of them would prefer to be elsewhere. Only 25 percent of Americans, according to the survey, look upon suburban living as ideal. Not that there is any great yearn-