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"Plant Closings: Public or Private Choices?"

Cato Institute, 224 Second St., S.E., Washington, D.C. 20003. 164 pp. $5.00
Editor: Richard B. McKenzie.

In recent years, Congress and more than 20 states have contemplated "plant closing" laws to discourage migration of industries from the "Frostbelt" to the "Sunbelt." The reason: During the 1970s, manufacturing jobs declined in the Northeast and East North Central states by about nine percent. But, say McKenzie, a Clemson University economist, and nine other specialists, plant relocations actually played a minor role.

Between 1969 and 1975, for instance, the number of manufacturing firms in New England declined, for various reasons, by 5.7 percent—but the 2.1 percent lost through relocation were more than made up by the 2.5 percent *gained* through relocation.

The real culprit is not plant relocations or even the high rate of plant closings, but a low rate of plant *openings*. Some 38.9 percent of all U.S. firms in existence at the end of 1969 went under during the next six years. The rate of plant closings, in fact, differs little by region. The rate of plant openings, however, is much higher in the Sunbelt—where, between 1969 and 1975, 112 new plants began hiring for every 100 that closed. In the Frostbelt, only 70 percent of closed plants were replaced.

The South attracts new businesses with its conservative political climate, lower taxes, weak labor unions, less restrictive environmental laws, and a lower cost of living.

Plant closings and relocations cause hardships, the authors agree, but restrictive laws (requiring firms, for example, to compensate workers and local governments) are no remedy. If enacted in the North, such laws would only give businesses another reason not to open plants there. And a national plant-closing law would only increase production costs for U.S. firms, raising their incentive to locate new facilities abroad.

Finally, say the authors, it is misleading to focus only on manufacturing jobs in the Frostbelt. Though the region lost some one million manufacturing jobs during the '70s, total nonagricultural employment—mostly in the service sector—*grew* by 4.5 million jobs.

"Middletown Families: Fifty Years of Change and Continuity."

University of Minnesota Press, 2037 University Avenue S.E., Minneapolis, Minn. 55414. 436 pp. $16.95.
Authors: Theodore Caplow et al.

For a year and a half during the 1920s, sociologists Robert and Helen Lynd lived among and studied the citizens of Muncie, Indiana. The result was *Middletown* (1929), hailed as the first anthropological look at "the average American community." What the Lynds found out about Middletown's families was worrisome. Four of every 10 marriages (43 percent) failed. Par-

Sociologists Robert and Helen Lynd moved to Muncie, Indiana in 1924. They reported on their interviews and research, conducted over a year and a half in this city of "middle America," in their classic, Middletown *(1929).*

Courtesy of Staughton Lynd.

ents and children spent little time together. To see how the "average" U.S. family has fared since then, Caplow, a University of Virginia sociologist, and a team of researchers moved to Muncie in 1976. They report that divorce is even more common today, but that those families that stay together are happier.

In 1925, Muncie was an industrial town of 38,000. One quarter of its families—the business class—lived comfortably, a few lavishly. The rest, laborers' families, made do. Many had no indoor plumbing. The men rose at dawn to work 10-hour shifts—or they worked nights. Their wives performed physically demanding chores at home or in factories.

Family life, as a result, was "dreary," noted the Lynds. Husbands and wives even socialized separately. Middletown's women were so starved for company that the Lynds had trouble ending interviews. Because most couples had moral reservations about birth control, sexual relations were afflicted by fears of unwanted children. Asked what gave them strength to carry on during hard times, not one of 69 working-class women mentioned her husband.

Muncie today has doubled in population, to 80,000. It has also prospered. Its managers and blue collar workers now enjoy comparable affluence, paying off mortgages on "neat subdivision houses" complete with trash compactors and electric garage doors.

The divorce rate today is 51 per 100 marriages (versus 49 per 100 nationally). But those Muncie couples that stay together are more content than their parents and grandparents were. Couples today enjoy each other's company: They watch TV, dine out, and attend concerts and sporting events together. Ninety-five percent consider their marriages "happy."

The "generation gap" the Lynds found in 1925 remains, but Caplow and his team note that it "never manages to change the relationship between parents and children." The one thing today's youngsters want most from their parents is time together—the same thing they wanted in 1925. Forty percent of the teenagers, the same as in 1925, argue with their parents about evening curfews. On the other hand, children and parents spend more time together now than they did 50 years ago.

Both Middletown's children and

adults firmly believe family relationships are worse now than they have been in the past. But what Caplow and his colleagues tell us is that almost every change in Middletown's families since 1925 has been for the better.

"Alternative Methods for Valuing Selected In-Kind Transfer Benefits and Measuring Their Effect on Poverty."

U.S. Department of Commerce, Bureau of the Census, Washington, D.C. 20233.
162 pp.
Author: Timothy M. Smeeding.

Although Lyndon Johnson declared a "war on poverty" in 1964, poverty has not been eradicated. Is the way the federal government *defines* poverty partly to blame?

In 1965, federal "in-kind" (noncash) benefits—food stamps, school lunches, public housing, Medicaid, Medicare—totaled $2.2 billion. By 1980, they had jumped more than 12-fold, to $27.8 billion (in constant 1965 dollars). Yet the percentage of Americans living below the poverty line declined by only one-third: from 17.3 percent in 1965 to 11.1 percent in 1979, according to the Census Bureau. The government's statistics, however, are based on a definition of income that ignores in-kind benefits.

A 1977 Congressional Budget Office report claimed that the number of poor people in the United States would drop, statistically, from 25 million to nine million if the government included in-kind benefits in its income calculations. In 1980, the Senate Appropriations Committee directed the Secretary of Commerce to test the theory. Smeeding, an American Statistical Association Fellow at the Census Bureau, responded with this study. But he produces more questions than answers.

Researchers cannot agree on a single measure of the value of in-kind benefits to recipients. Simply counting in-kind benefits at their market value (MV) reduces the number of poor Americans in 1979 to 6.4 percent of the population. Measuring their "cash equivalent" value (CE)—i.e., for how much cash the recipient would trade them—leaves 8.2 percent below the poverty line. A third way, the "poverty budget share" (PBS) method, limits the value of food, housing, and medical benefits to the proportions spent on these items by people near the poverty line in 1960–61, when in-kind benefits were minimal. This approach finds 8.9 percent of the populace in poverty.

Medical care represents the lion's share of federal in-kind benefits—in 1980, $54.5 billion out of a total $72.5 billion (in 1980 dollars). But should medical benefits be counted as "income"? Does getting hospital care transform a poor American into a wealthy one? If medical benefits are excluded from poverty computations, the percentage of poor Americans becomes 9.4 (MV), 9.5 (CE), or 9.8 (PBS).

At present, the official formula for defining poverty overlooks not only in-kind benefits to the poor but also private and public in-kind benefits to *other* income groups (employer-funded health insurance and pensions, mortgage interest tax breaks, etc.). Since the definition of poverty now hinges in part on how the *average* U.S. family allocates its income, Smeeding reasons, "invisible" in-kind income must be taken into account for poor and nonpoor alike.