RESEARCH REPORTS

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"The Change in Women's Economic Status."

Paper presented by June O'Neill before the Joint Economic Committee of the U.S. Congress, November 9, 1983.

The first words in most public discussions of why working women earn less than men are "sex discrimination." O'Neill, an Urban Institute analyst, believes that there is more to say.

The male-female "pay gap" is not quite as wide as is commonly assumed, she notes. Feminists have popularized the fact that the annual earnings of women who work full-time average 59 percent of men's pay. But "full-time" workers include all those who work 35 or more hours weekly. Men put in more hours and more overtime than do women and are more likely to hold second jobs.

A better measure of the gap is *hourly* pay. By that standard, women earn 69 percent as much as men.

Women's career decisions, O'Neill argues, account for part of the remaining gap. A 1968 survey of women from age 20 to 24 revealed that 68 percent planned to be homemakers by the time they reached age 35. Yet a check-up 10 years later showed that 60 percent of these women were still working. "Early expectations," O'Neill writes, "influence courses chosen in school, early job experience, the extent of job search, and other activities that will have an impact on later earnings."

Many young women of the 1960s, in other words, never intended to become permanent members of the work force and therefore invested less in their future careers.

Child-bearing, of course, affects women's careers. Women who leave their jobs to have children gain less work experience than do men. A 1977 survey of white jobholders from age 40 to 49 showed that the men had been working virtually without interruption since leaving school, while the women had held jobs in only about 60 percent of the years since graduation.

Family responsibilities also influence the kinds of jobs women take. "Amenities such as short hours, long vacations, flexible schedules, or a [convenient] location . . . are paid for through lower wages," O'Neill observes. And women tend to avoid jobs that pay extra for enduring harsh conditions, such as construction work.

O'Neill adjusted for most of these factors by statistical means in a 1983 study. Women earned 80 percent as much as males with equivalent schooling, work experience, and type of job.

Must the 20-point gap be laid entirely to sex discrimination? Not necessarily, O'Neill cautions. Unquantifiable differences, such as degree of job commitment or the "marketability" of one's education, may provide part of the explanation. On the other hand, some discrimination may have escaped measurement—for example, employers could be denying women on-the-job training.

In any event, O'Neill predicts, the pay gap will narrow "perceptibly" during the 1980s. Women are catching up to men in years of schooling and work experience. Younger women, in particular, seem to be ready to make the investments and personal sacrifices necessary to win high-paying jobs. In 1978, roughly 77 percent of the 25- to 29-year-old women interviewed for one study declared that they would still be working women, not homemakers, when they turned 35.

"The Atlantic City Gamble: A Twentieth Century Fund Report."

Harvard Press, 79 Garden St., Cambridge, Mass. 02138. 215 pp. $16.50.
Authors: George Sternlieb and James W. Hughes

Casino gambling was supposed to be an elixir for all that ailed the decaying seaside resort of Atlantic City, New Jersey. But more than five years after the first casino opened its doors, the "medicine" seems more like snake oil.

Las Vegas is everybody's shimmering example of the legalized gambling bonanza, observe Sternlieb and Hughes, Rutgers urban policy specialists. Gambling tax revenues have enabled Nevada to avoid imposing personal and corporate income taxes. The gaming industry, and the associated tourist trade, account for about 25 percent of the state's jobs.

Promises of up to $500 million a year in state tax revenues (to be devoted to programs for the elderly), a quick fix for Atlantic City's economy, and a $1.3 million campaign by the casino-backed gambling lobby finally persuaded New Jersey voters to approve the gambling scheme in a 1976 referendum. (They had rejected it on three earlier occasions.)

But the only clear winner so far is the casino industry. Resorts International opened the first casino-hotel in May 1978 and recouped its investment within two months. By the end of 1982, nine gaming establishments, opened at a total cost of over $1 billion, had grossed $3.7 billion.

The state's payoff has been far less spectacular, the authors report. Gambling levies brought Trenton $117 million in 1982, just two percent of all state tax revenues and far short of predictions. The new benefits promised to the elderly never materialized. State legislators merely used gambling tax revenues for existing programs. And, overall, New Jersey residents lost $5 in Atlantic City's slot machines or at its blackjack and craps tables for every $1 the state collected in taxes.

For the city itself, casino gambling appears to be at best a break-even proposition. Most of the 30,000 new casino jobs were claimed by suburbanites and out-of-towners. The city's unemployment rate stood at 8.4 percent in 1981, down just one point from 1979, when the boom hit.

The hoped-for rebirth of the city's vacation industry and local businesses has flopped. The overwhelming majority of the 1.5 million gamblers who visit Atlantic City every month come by bus from New York, Philadelphia, and other nearby cities and return home the same day. "Atlantic City's gambler," the authors say, "is intent only on the game and has no interest in shopping or other amusements."

The city's budget looks better these days, thanks to a threefold increase in property tax revenues since 1978, but prostitution, robbery, and other offenses have also nearly tripled. City outlays for police and other casino-related services have consumed most of the windfall.

Meanwhile, real-estate speculators have sent property values (and tax assessments) soaring, driving many local businesses and residents out. So far, apart from the casinos, few new buildings have gone up.

Organized crime does not appear to have penetrated casino management, the authors add, but it has gained control of some firms that service the casinos (e.g., food suppliers, laundries) and some local labor unions.

New Jersey stumbled into gambling on the basis of "exaggerated claims, inadequate analyses, and wishful thinking," the authors conclude. Las Vegas, starting from scratch and surrounded by deserts, held no real lessons for decrepit Atlantic City, which is within a few hours' drive for 50 million potential "day-trippers."

Proposals to legalize casino gambling are under active consideration for Florida's Miami Beach and the Catskill region of New York. Voters in those states, the authors advise, should keep their eyes firmly fixed on Atlantic City's unhappy experience and avoid being mesmerized by the Las Vegas mirage.

"The Command and Control of Nuclear Forces."

Yale University Press, 92A Yale Station, New Haven, Conn. 06520. 252 pp. $19.95.
Author: Paul Bracken

In 1980, a 46-cent computer chip failed at North American Air Defense Command (NORAD) headquarters in Cheyenne Mountain, Colorado, triggering a false alarm of an all-out Soviet attack.

U.S. forces did not react. The reason, says Bracken, a Yale political scientist, is that the United States has several parallel warning systems, and they did not confirm the NORAD alert. Bracken believes that such "redundancy," created during the 1970s, makes the United States safer from nuclear war due to technical mishaps than it was 20 years ago.

But he says that the increasing sophistication of the U.S. nuclear command and control system—surveillance satellites, computers, even the AT & T telephone system—dangerously strains *human* organizations.

The 25,000-man U.S. command and control network is run by many different groups—the National Security Agency, NORAD, assorted units of the Army, Air Force, and Navy. In a crisis, each would focus its entire attention on the Soviet Union, churning out enough data to overwhelm analysts and paralyze decision-makers.

Bracken worries that the results, even under a full military alert short of war, could be disastrous. (Neither the Soviets nor the United States, he notes, has ever gone on *full* alert during the nuclear age.) If the White House failed to issue commands to the armed forces fast enough, military bureaucracies could be carried forward by their own momentum. World War I, in which political leaders lost control once they mobilized their forces, might be the likeliest precedent for World War III.

If Moscow did launch its missiles, the U.S. president would have only five minutes to react—if the warning pierced the buzz of information—before missiles from Soviet submarines in the Atlantic struck Washington.

After a Soviet attack, virtually all hope of limiting nuclear war would go out the window. Actual control of U.S. missiles and bombers would fall to the military units (such as the Strategic Air Command), possibly even to dozens of isolated local Air Force and Navy commanders. None would have much knowledge of what was happening elsewhere.

Soviet nuclear forces probably suffer from the same kinds of defects, Bracken adds. (U.S. Pershing IIs based in West Germany could reach Moscow in 12 minutes.) He points out that both sides can respond to the vulnerability of their leaders in only two ways: delegate more authority to military commanders or create a "safety catch" defense, in which the missiles are fired automatically if the central command post is wiped out.

Maintaining political control of the military is Bracken's greatest worry. He argues that the Pentagon's civilian and military planners should see what can be done to insure that an unprecedented full nuclear alert would not lead to war, a subject they have neglected. He also favors a Soviet-American arms control pact removing U.S. Pershing IIs from Western Europe in return for a pullback of Soviet "Yankee" submarines from U.S. coastal waters. That would give political leaders on both sides a little more time to think during a crisis, and allow both sides to back away from dangerous "safety catch" defenses.

"Will Productivity Growth Recover? (Has It Done So Already?)"

Brookings Institution, 1775 Massachusetts Ave. N.W., Washington, D.C. 20036. 19 pp.
Author: Martin Neil Baily

The long, painful slowdown in U.S. productivity growth rates may finally be over.

The slide began after 1965. Labor productivity in the business sector, which had improved by three percent annually since 1950, grew by only 2.14 percent during 1965–73 and by .64 percent during 1973–81.

Why? OPEC's 1973–74 price shocks provide the most obvious explanation (business costs rose but output did not), and Baily, a Brookings Institution economist, says that OPEC did have some effect. But, overall, oil, gas, and electricity bills are a small fraction of the costs of doing business.

Baily dismisses two familiar explanations for the drop. He doubts, for example, that there has been a decline in Americans' capacity for innovation. Indeed, business spending on research and development increased during the 1970s. A fading American work ethic does not explain much, either. After all, says Baily, the Japanese suffered the worst productivity slowdown of the 1970s, "and I have not heard much about declining work effort in Japan."

What about federal regulation of business? Most studies show that its effects have been small. Anyway, the Reagan administration has virtually halted the flow of new regulations.

Inflation, by encouraging businessmen to make investments with quick payoffs, had some effect, says Baily, but it, too, has been largely subdued. Finally, the 1970s run-up in inflation, regulation, and energy bills conspired to cause a fourth problem: suddenly obsolete factories and equipment.

The four culprits that withstand scrutiny, Baily notes, are short-term economic factors, not mysterious long-term trends. That means that the productivity slide should reverse itself eventually.

Baily speculates that the upturn may already have begun. From 1980 to mid-1983, labor productivity in *manufacturing* climbed by about 12 percent, far outstripping the eight percent gain for the whole period from 1973 to 1980. Baily suggests that productivity may even increase during the next few years at a faster clip than it did during the 1960s—exceptionally good news for American managers and workers.