

EXTERNAL APPENDICES TO CHAPTER 7

Appendix X-7.1: MORE DETAILED DATA ON SOCIAL TRENDS

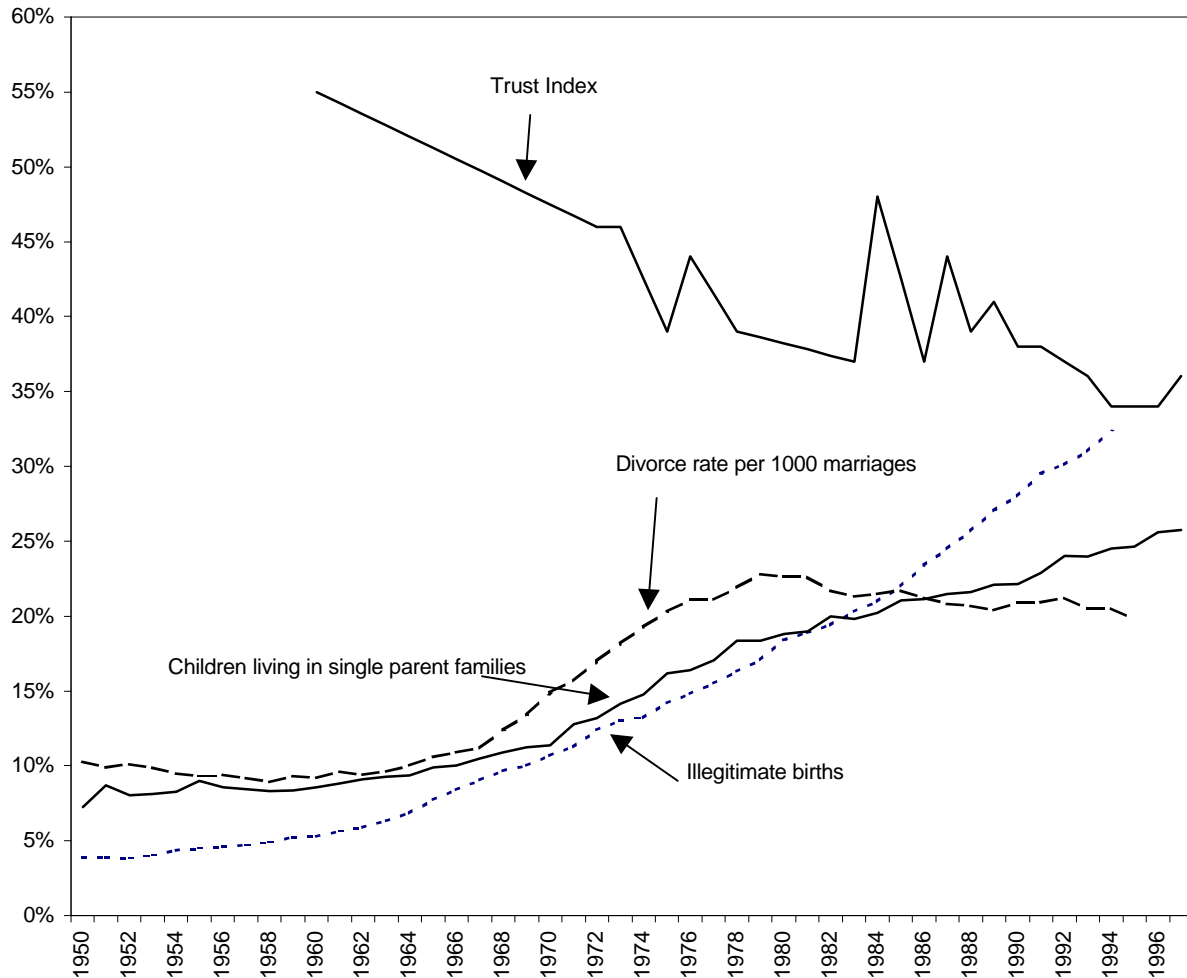
This appendix provides supporting data for the propositions briefly discussed in Section A of Chapter 7.

1. The Withering Away of the Traditional Family

Chart X-7.1 plots three key trends about family decline that have received considerable public attention. The chart shows that divorces as a percentage of existing marriages rose dramatically until the early 1980s when the series began a slight decline; and that the percentage of illegitimate births and of children living with a single parent (usually the mother) soared, with no signs of slowing down by the end of the century. Clearly the institution of marriage defined in the traditional sense became weaker in this period. Moreover, in the last few decades of the 20th century, the percentage of married persons over 17 who said their marriages were “very happy” fell from 67 to 62 percent (Popenoe and Whitehead, 1999) and, as noted in the text, the percent of unmarried adult women has risen, which may reflect, as Wallerstein (2000) has argued, an unexpected legacy of the rising share of the population who, as children, experienced their parents’ divorce.

Although most observers seem to believe that the fundamental causes for this weakening of the institution of marriage primarily reflected changes of cultural values, some have tried to link these trends to changes in social structural variables. For instance, using data from a number of countries showing a direct correlation between divorce rates and female labor force participation, Fukuyama (1999, p. 102 ff.) argues that the general rise in divorce was caused by the increasing share of women in the labor force in the U.S. and that the slight decline after the 1980s was due to a readjustment of

Chart X7-1: Some Social Indicators



Notes: Data on children living in single-parent households come from the web-page of the Census Bureau [www.census.gov/population/socdem]. Data on illegitimate births, as well as data on divorce and annulments come from U. S. Department of Commerce, Census Bureau [annual, various years] and [1975, series B1, B28, B29, and B217]. More exactly, the divorce rate is the percentage of divorces each year per married woman over 15. The data on trust come from the Roper Archives and were collected by the National Opinion Research Center (NORC) for the General Social Survey. The question posed was "Generally speaking, would you say that most people can be trusted or that you can't be too careful in dealing with people?" The trust index is the percentage of people selecting the former alternative.

the marriage relationship to take into account this new circumstance. Other observers have tied the rising rate of illegitimacy to the falling marriage rate, the lower expectations of happiness in marriage, and the dissociation of sex from marriage (Popenoe and Whitehead, 1999).

2. The Decline of Social Capital

The phrase “social capital” has a variety of definitions and has been used for quite different purposes by various investigators. I follow Robert Putnam (2000) and use it to indicate a set of shared norms and experiences between individuals that permits cooperation between them. Social capital on a group level has a broad radius and is the major concern of my discussion.

In Chapter 7, I explain Putnam’s approach toward measuring social capital. Everett Ladd (1999) has challenged his conclusions about the decline of social capital, particularly attacking the data presented in an earlier publication on membership in various organizations. But in his book (2000) Putnam presents data on a wide range of organizations, as well as on general participation in organized activities. Moreover, he argues that many of the organizations with increasing membership that are cited by Ladd have little social significance. For instance, some national organizations (such as the American Association of Retired Persons) have soaring memberships but no local chapters; they rely solely on direct mailings for communication. Support groups of various types have also dramatically increased, and internet chat groups have exploded in number. Putnam argues, however, that these represent “cheap participation,” where the social obligations are minimal and the radius of trust is small.¹

¹ According to Putnam (2000, Chapter 8), trust embodied in personal relations that are strong, frequent, and nested in wider networks is sometimes called “thick trust,” while these support groups and membership in mailing list organizations generate only “thin trust.” Putnam cites Robert Wuthnow as arguing: “The social contract binding members together [in a support group] asserts only the weakest of obligations.

Indeed, one highly controversial study presents evidence that participation in internet chat groups reduces family communication, results in a decline in the person's social circle, and increases the possibility of depression and loneliness (Kraut et al., 1998-a and 1998-b). A more recent study (Nie and Erbring, 2000) shows that the more time people spend using the internet, the less time they spend with their family and friends, either in person or on the phone. The study also finds that the more time spent on the net, the less time spent reading the newspaper, watching television, and attending events outside the home. Surprisingly, heavy net users spend more time working, both at home and in their offices. Of course, for those who use the internet primarily for e-mail, such generalizations do not hold, and for such people, the internet has often served to increase real social interaction.

Along the same lines, other studies document the increasing turn of Americans from group to solitary amusements. For instance, in the gambling industry slot machine revenues have increased far faster than revenues from table games which involve social contact (Goodman, 1995). A. Alvarez (1996) argues that "playing . . . the slots is an autistic activity - mindless, solitary, and addictive."

In Chapter 7, I cite time-budget data about the declining time spent socializing. By examining separately such indicators for women who work or do not work outside the home, Putnam (2000) demonstrates that such a decline for the nation as a whole cannot be explained by a rise in female labor force participation.

Analysis of charitable gifts and volunteering, one aspect of social capital, raises problems. The

Come if you have time, Talk if you feel like it. Respect everyone's opinion. Never criticize. Leave quietly if you become dissatisfied . . . We can imagine that [these small groups] are really substitutes for families, neighborhoods, and broader community attachments that may demand lifelong commitments, when, in fact, they do not."

imperfections of the measure arise not only from the uncertainties of the data but also from the different motives that are involved in such charitable activities.² Nevertheless, a brief exploration of charitable giving and volunteering is instructive, for the trends in both appear to support the hypothesis that social capital is declining.

Charitable giving by individuals, as a share of disposable income, rose and then fell in the second half of the 20th century, as shown in the data presented in External Appendix X-7.2.³ Unfortunately, the available time-series are quite uncertain, so that the year of the downturn varies according to the data source. The data in External Appendix X-7.2 on volunteering show a downturn in 1989. It is also noteworthy that in this period the labor force participation rate increased at a much slower rate than the ratio of unpaid to paid labor, which means that rising labor force participation does not explain the fall in volunteering. It should be added that other estimates of volunteering that are constructed from different survey data - for instance, the estimates of Putnam (2000) and Ladd (1999) - show an increase in volunteering over the period. The downturn in volunteering that I have isolated is far from proven.

² Brown (1999) and Hodgkinson and Weitzman (1998) analyze many of the difficulties in measuring charitable giving from survey data. There are a number of such surveys, and they yield interesting data. Unfortunately, there are few consistent time-series (two of the most important are discussed in Appendix X-7.2).

Ostrower (1995).and Daniels (1988) provide useful discussions of the mixed moves for charitable giving and volunteering. Given the well-known fact that lower-income groups give a higher percentage of their income to charity than all but the highest income groups, a full analysis of charitable motives would have to take social class into account.

³ Data series on personal consumption expenditures on religion and welfare are available from 1900 to the present from Lebergott (1996, Table A-1) and from the personal consumption expenditures in the NIPA. Unfortunately, the NIPA data include the expenditures of non-profits that are financed from sources other than personal charity and, moreover, also include certain expenditures for child care and also for political parties. For what they are worth, this series declines from the 1900s through the 1910s, rises up through the 1930s, declines up to the 1950s, and then rises steadily thereafter.

Putnam also points out a change in the composition of volunteer hours: the rate of volunteering for community projects fell, while the general rise in overall volunteering was sustained by an increase in the supply of one-on-one services (for instance, helping the sick and elderly). Other, more easily measured types of volunteering, also fell, for instance, the rate of blood donations. The change in the composition of volunteer services appears to reflect a smaller radius of social concern.

What caused this decline in social capital? In searching for causes it is important to realize that for most of the indicators Putnam examines, the change has occurred primarily between, rather than within, generations. That is, the overall decline reflects the replacement of the cohorts born many years ago with those born more recently.

For both inter-generational and intra-generational changes, Putnam lists a number of plausible explanations including business and time pressures; movement of women into the paid labor force and the stresses of two career families; suburbanization and sprawl; changes in the structure, scale, and complexity of the American economy; disruption of marriage and family ties; growth of the welfare state; the legacies of the Vietnam War, including the cultural revolt of the late 1960s and early 1970s; and television. He argues that most of these factors played some role, but he points to television as the major villain. Although work time declined, television watching took up most of the additional leisure, and, as noted in the text, time used for social activities, clubs or civic engagement actually fell. Home computer, which Putnam did not isolate, might have accounted for some of this decline in social activities as well.

Although I find many of Putnam's arguments about the underlying causes of the decline in social capital convincing, we can still wonder if certain factors, such as increased immigration, discussed in Chapter 5 (which, according to Schiff (2000) decreases social capital) might have played a role as well.

Putnam might also have added certain changes in technology to his list of causes. For instance, John L. Locke (1998) points out that changes in technology have also discouraged people from communicating with each other. The Walkman reduces conversation; mobile phones replace face-to-face communication; the ATM and home shopping reduce casual interactions; mechanical voices deliver messages in cabs; e-mail, answering machines, and voice mail eliminate other types of person-to-person contacts; TV and canned music invade public spaces and make conversation difficult, and serious discussion has turned into a spectator sport in talk-shows. I would add that the spread of air conditioning has meant that during the summer, it is often more comfortable to be cocooned in one's home than to socialize with neighbors on the street or in the yard.

In any case it does not seem likely that the decline in social capital in the second half of the 20th century will be soon reversed. As indicated in Chapter 7, this has some serious consequences.

3. Two Related Trends: Declining Social Trust and Deepening Social Cleavages

For many years the General Social Survey (GSS) asked respondents the following question: "Generally speaking, would you say that most people can be trusted or that you can't be too careful in dealing with people?" The "trust index " in Chart X-7.1 maps the percentage of respondents selecting the former alternative and it shows a dramatic decline from 1960 to the end of the century.

Clearly this is a crude indicator. The question certainly does not measure the intensity of distrust. But we can reasonably assume that the intensity of distrust did not greatly change. It also does not define "most people": is the respondent referring to immediate friends and neighbors, or the population as a whole? But such a question has been used in scores of surveys; and analyses show that most respondents seem to be referring to the latter. The question does not distinguish various areas of concern. For example,

other surveys show that voters seemed to trust President Bill Clinton's economic policies, but they distrusted him as a person. Survey problems also arise since different polls posing the same question at the same time yield quite different results. But this is why I have used only the data from the GSS, a poll that has been standardized over the years.⁴

Finally, the linkages between the answer to this question on trust and to other questions of belief or to actual activities are unclear. For instance, even though social trust declined, according to this indicator, various public opinion polls reveal that over the years between two-thirds and three-fourths of Americans believe that the country's future is bright; that there are opportunities for getting ahead; and that hard work is rewarded. The relation between social trust and behavior is also problematic. In the political sphere, as I discuss in greater detail in Chapter 8, some survey data show little relation between the act of voting and the respondents' stated trust in government.

Despite these obvious problems, the studies of the determinants of trust reflect what we would expect, and like many others, I find it a useful (albeit crude) indicator of social trends. Unfortunately, up to now the various studies analyzing its determinants have employed only single-equation statistical models that do not take into account particular types of reciprocal causation. For instance, James Q. Wilson (1975, p. 21) notes that high crime reduces trust and increases social atomization, which, in turn, encourages crime.

⁴ For instance, in February 1978 in the GSS, 39 percent of the adult respondents said that most people can be trusted; in the following month, the question was repeated for a study of political tolerance and American democracy the question by the NORC (although the wording was slightly different) and 48 percent of the respondents said that people can be trusted. In another case, according to Helliwell (1996), the World Value Study posed such a question, and 40 percent in their U.S. sample in 1981 and 52 percent in 1990 said that people could be trusted. The GSS posed the same question in 1983, and 1990 and obtained answers of respectively 37 and 38 percent.

Given such reciprocal causation, it would be more accurate to speak of factors that correlate with, rather than determine, social trust.

Social cleavages are inversely related to social trust, and many examples of social cleavages in the United States can be readily enumerated. They are particularly apparent in patterns of segregated housing, since our place of residence plays an important role determining our informal social interactions, our community involvement, where our children go to school, and with whom they associate (Blakey and Snyder, 1997, pp. 2-3).

The most extreme form of separation in the housing area is manifested by the growing importance of “gated communities.” These are neighborhoods that have literally walled themselves off from the rest of the community, forming their own government, privatizing their public space, and restricting those who live there. Such gated communities represent a “secession of the successful,” and a conflict between “exclusionary aspirations rooted in fear and protection of privilege and the values of civic responsibility.” Since the early 1980s the importance of these gated communities has soared, so that by 1997, roughly three percent of American families lived in them. They are becoming refuges not only for the wealthy or the retired but, to some extent, for middle-income families as well.⁵

Social cleavages in the housing sphere are also reflected by segregation by race and income.

⁵ The percent of families living in gated communities does not include the multi-unit apartment and condominium buildings with security systems to prevent public access to lobbies, hallways and parking lots; various “closed street” arrangements; or neighborhoods where homeowner associations have been able to restrict those interested in building or buying homes through a variety of covenants, zoning restrictions, and conditions. Blakey and Snyder (1997, pp. 2-3) estimate that 3 million families lived in gated communities in the middle 1990s. The two quotations in the paragraph come from the same source; Robert Reich originally coined the term “secession of the successful.” McKenzie (1994) details the vast powers that some homeowners associations exercise over their communities.

Douglas S. Massey and Nancy A. Denton (1993, pp. 47, 222) present data showing that between 1940 and 1990 housing segregation by race, as measured by “dissimilarity indices,” decreased somewhat, particularly between 1960 and 1980. Nevertheless, to equalize the racial composition in 18 metropolitan areas in the north with the largest Black population in 1980, 80.1 percent of African-Americans would have to change residences with Whites in other census tracts. In the same year in 12 southern metropolitan areas, 68.3 percent of blacks would have to move.

An important impact of housing segregation by race can be seen in the public schools. After the 1954 Supreme Court decision outlawing deliberate segregation of schools, the percentage of segregated schools began to fall, especially starting in the late 1960s when programs to bus students to different schools in order to reduce racial segregation began to take effect. Between 1980-81 and 1996, however, Orfield and Yun (1999) show that the percentage of African-Americans in public schools with a student body made up predominantly of minorities steadily increased and surpassed the level of the early 1970s. Indeed, this percentage was rapidly approaching the level of the late 1960s. Using the same measure, Orfield and Yun found that the percentage of Latinos in schools with a student body composed predominantly of minority students increased even faster in the same period, so that by the mid 1990s they were even more segregated than African-Americans. Both of these trends showed no signs of decelerating at the end of the century. In 1996 African-Americans and Latinos were also more than twice as likely to attend schools with a high percentage of pupils living in poverty, so that economic segregation has accompanied racial segregation. One particularly unsettling aspect of this racial/income segregation, according to evidence provided by Massey and Denton (p. 13), is that “Black English has become progressively more distant from Standard American English, and its speakers are at a clear disadvantage

in U.S. schools and labor markets.” This hypothesis, however, is strongly disputed by others.

Housing segregation strictly by income must also be taken into account. From census data Paul Jargowsky (1997, p. 41) shows that between 1970 and 1990 the percentage of poor persons rose both in the metropolitan areas as a whole and also in high-poverty tracts within these urban centers. Moreover, these trends also hold separately for Whites, Blacks, and Hispanics. Segregation by income levels has, however, several dimensions. For instance, Michael J. White (1987, p. 189) shows that for 19 metropolitan areas, segregation by poverty status increased between 1980 and 1990, even while housing segregation by broad classes of income slightly decreased.

A different type of segregation appears in the rising share of school children that are not attending public schools. This seems to contradict the conventional belief that is based on official Department of Education data. The Department’s estimates show that the share of pupils enrolled in private primary and secondary schools as a share of total enrollment rose slightly during the first half of the 20th century and then, in the second half, fluctuated between 11 and 11.5 percent (U.S. Department of Education, 1999, tables 2 and 3).

Such widely cited data, however, do not cover home-schooled children, whose numbers increased dramatically since the early 1980s and who amounted to roughly 1.8 percent of the children in primary and secondary schools in the latter part of the 1990s.⁶ Thus, a particular type of social fissure is occurring in

⁶The U.S. Department of Education (1999) estimates that in 1997-98, home-schooled children numbered between 1.5 and 1.9 percent of those in school in the late 1990s. According to the National Home Education Research Institute (www.nheri.org/) home schooled children from kindergarten through 12th grade increased from 0.2 percent in 1983 to 0.6 percent in 1990 to 2.2 percent in 1996. The reasons underlying the discrepancy between the Department of Education and the NHERI data are unclear. The number cited in the text represents a compromise between these estimates.

education as well, although the degree to which such children are isolated from their peers is a matter of dispute.

Just as the United States was brought together as a nation because the 13 colonies were “relatively tightly linked by print as well as commerce” (Anderson, 1983, p. 64), cleavages between groups of people within the nation can be reinforced by the media. Joseph Turow (1997) points out how advertisers and the media have been a key force behind divisive messages encouraging people to separate themselves into increasingly more specialized groups and to develop distinctive viewing, reading, and listening habits and in this way “create the electronic equivalents of gated communities” (p. 2). Computer-generated personal newspapers, “The Daily Me” in Nicholas Negroponte’s term (1995), discourage people from looking out of their personal spheres into the broader social universe. Such self-insulation leads to social and political fragmentation, a problem eloquently analyzed by Cass Sunstein (2001).

A variety of other indicators of social disconnectedness in U.S. life suggest widening social separations:

- * The percentage of adults living alone soared in the second half of the 20th century. In 1960 only 3.9 percent of all adults lived alone, but by 1998 this had risen to 9.8 percent.⁷

- * The share of workers not closely connected to the labor force probably also rose over this period. It is well known that Manpower Inc., a temporary-help agency, is the largest employer in

⁷ The data on single-person households come from the Census Bureau website: <http://www.census.gov/population/www/socdemo/hh-fam.html>, Table HH-4. Of course, part of the increase in the percentage of the population living alone is due to a rising number of older people who are widowed. Nevertheless, in the mid-1980s, roughly 60 percent of those living alone were not elderly and the percentage of single-person households in this younger age-group was also rising.

America, with 50 percent more workers on its payroll than the second largest employer, General Motors (Sennett, 1998, p. 159). From a broader perspective, in the mid-1990s slightly over a quarter of the labor force was either part-time, contingent (those without an explicit or implicit work contract and expecting to lose their job within a year through no decision of their own), or non-traditional (independent contractors, supplied by a temporary help agency or a contract firm) and, for this reason, cut off from steady work conditions. This share of disconnected workers appears to have risen in the second half of the 20th century. The data on this phenomenon are discussed in greater detail in External Appendix X-7.3.

* The growing impact of the ideology of multi-culturalism, which stresses differences, rather than similarities, between groups - ethnic or religious - within the United States. In part, this ideology reflects the increasing cultural fragmentation, which creates a special dynamic: Groups of people with particular attributes or beliefs come together to create social networks, and these generate distrust in others, who, in turn, form their own social networks so that social fissures slowly begin to deepen.

David C. King (1997) focuses on another aspect of such widening social cleavages, namely that the ideological positions of both major political parties in the U.S. have grown more extreme since the early 1960s. He argues that in Congress, those in the center of the political spectrum have been losing power. In particular, in the 1990s the Republican Party was increasingly dominated by extreme social conservatives and economic libertarians (in a curious and uneasy alliance). This argument seems overdrawn - an interesting test is whether George W. Bush can succeed in his "civility campaign."

Along these lines, Putnam (2000) documents how the growing social isolation accompanying the decline of civic participation has resulted in the takeover of many different types of groups by extremist elements willing to commit their time and effort to the cause. Alan Wolfe (1998) argues that while this may

be occurring in the leadership of various organizations, the rank-and-file American is considerably more moderate.

Such widening divisions raise some troubling issues and underlying much of the discussion on such issues is the belief, summarized by Christopher Lasch (1995, p. 4), that although there has always been a privileged class in America, it “has never been so dangerously isolated from its surroundings.” He argues further that this elite lacks comprehension of the fragility of civilization and that it lives primarily for its own well-being and in the assurance that their world tomorrow will be better, and that it lacks any sense of its obligation to help preserve its historical heritage and its community. Although the empirical support for such a conclusion is shaky, the argument seems worthy of further research.

Appendix X-7.2: DATA ON CHARITY AND VOLUNTEERING

It is difficult to estimate consistent and long time-series for charitable giving and three quite different data-series are available. One time-series by Stanley Lebergott (1996) is charitable gifts for religion and social purposes and follows the same definitions as the NIPA data in the personal consumption accounts. Unfortunately, these data include not only expenditures by individuals but also non-profit institutions as well and, according to Aaron Catlin of the Bureau of Economic Analysis (personal communication), these two sources cannot be separated. Moreover, expenditures for political purposes and for child care are included as well. As a result, such data are unusable for my purposes.

A second time-series is by the Bureau of Labor Statistics and is part of their annual survey of consumer finance. These data include both cash expenditures and donations of goods and services to organizations outside the household. Unfortunately, they also include non-educational gifts to members of

Table X-7.1: Annual Indicators of Personal Charity and Volunteering

	<u>As a ratio of personal disposable income</u>			<u>Full-time equivalent volunteer workers as a percentage of</u>		
	<u>Cash contri- butions</u>	<u>Gifts of goods and services</u>	<u>Total</u>	<u>“Giving expendi- tures”</u>	<u>FTE workers</u>	<u>Population, 16 through 64</u>
	BLS	BLS	BLS	NKK	Hodgkinson-Weitzman	
1950	-	-	4.22% (urban)	2.13%	-	-
1951	-	-	-	2.23	-	-
1952	-	-	-	2.32	-	-
1953	-	-	-	2.38	-	-
1954	-	-	-	2.39	-	-
1955	-	-	-	2.41	-	-
1956	-	-	-	2.48	-	-
1957	-	-	-	2.47	-	-
1958	-	-	-	2.59	-	-
1959	-	-	-	2.48	-	-
1960	-	- ('60-'61)	4.95%	2.54	-	-
1961	-	-	-	2.51	-	-
1962	-	-	-	2.50	-	-
1963	-	-	-	2.47	-	-
1964	-	-	-	2.43	-	-
1965	-	-	-	2.36	-	-
1966	-	-	-	2.32	-	-
1967	-	-	-	2.32	-	-
1968	-	-	-	2.36	-	-
1969	-	-	-	2.36	-	-
1970	-	-	-	2.20	-	-
1971	-	-	-	2.20	-	-
1972	-	- ('72-'73)	4.95	2.23	-	-
1973	-	-	-	2.10	-	-
1974	-	-	-	2.01	5.49%	4.38%
1975	-	-	-	1.99	-	-
1976	-	-	-	2.02	-	-
1977	-	-	-	2.06	5.72	4.66
1978	-	-	-	1.99	-	-
1979	-	-	-	2.02	-	-
1980	2.89%	2.72%	5.61 (urban)	2.02	6.76	5.84
1981	2.84	2.37	5.21 (urban)	2.05	-	-
1982	-	-	-	1.98	-	-
1983	-	-	-	2.01	-	-
1984	3.55	3.37	6.92	1.96	-	-
1985	3.69	3.36	7.06	1.86	7.15	6.30
1986	3.42	3.14	6.56	2.06	-	-
1987	3.12	3.07	6.19	1.87	8.69	7.79
1988	2.79	3.25	6.04	1.86	-	-
1989	3.26	3.07	6.34	1.98	8.90	8.17
1990	3.02	3.23	6.26	1.89	-	-

Continued on next page.

Table X-7.1 continued.

	<u>As a ratio of personal disposable income</u>			<u>Full-time equivalent volunteer workers as a percentage of</u>	
	<u>Cash contri- butions</u>	<u>Gifts of goods and services</u>	<u>Total</u>	<u>“Giving expendi- tures”</u>	<u>FTE workers</u> <u>Population, 16 through 64</u>
	BLS	BLS	BLS	NKK	Hodgkinson-Weitzman
1991	3.38	3.28	6.66	1.88	8.65 7.65
1992	3.32	3.18	6.49	1.84	- -
1993	3.30	3.16	6.46	1.86	8.40 7.31
1994	3.22	3.13	6.35	1.79	- -
1995	3.05	3.06	6.11	1.76	8.32 7.37
1996	3.13	3.37	6.50	1.90	- -
1997	2.96	2.91	5.87	2.06	- -
1998	3.23	2.86	6.09	2.15	7.79 7.02

Note: The Bureau of Labor Statistics data come from the annual consumer expenditures survey reported in their website (<http://stat.bls.gov/csxhome.htm>). The cash contributions include all contributions to those outside the household, including students at universities. The gifts of goods and services include Christmas and birthday gifts. The data before 1984 was generously supplied by Mark Vendemia of BLS from unpublished BLS data. They come from national surveys, except for three years (specified in the table) where only an urban sample was used. The data before 1984 may not be completely consistent with that for subsequent years, when the methodology was more standardized.

NKK stands for Nelson, Kohn, and Kaplan. The data for 1968 through 1998 were estimated by Ann Kaplan and are reported in American Association of Fund-Raising Counsel (Annual, 1999, p. 138). To this was spliced data from Ralph Nelson and Harry Kohn reported in U.S. Department of Commerce, Census Bureau (1975, Series H399).

The data on volunteering come from Hodgkinson and Weitzman (1984, p. 70), (1986, p. 18), (1996, p. 41) and (1999, p. 2). The data before 1987 are not completely comparable with later data.

the family outside the household. I present, however, such data in Table X-7.1.

A final time-series is based on itemized charity expenditures itemized in income tax returns combined with estimates of the charity expenditures of non-itemizers. Such an approach was pioneered by Ralph L. Nelson and C. Harry Kohn, and the results are published in U.S. Department of Commerce, Census Bureau (1975, Series H-399). Subsequently they have been updated on an annual basis by Ann Kaplan for the American Association of Fund-Raising Counsel (AAFRC). These are published in AAFRC (annual), which has a description of the methodology, and republished in Carter, et al., (2002 forthcoming), Series Ph.A.1.2 and Series Ph.A.1.5). In the discussion below, this is designated the NKK series.

In general the BLS and the NKK series show a dome-shaped pattern, although the point of downturn in the former series is later than in the latter. In the text I provide one interpretation of these results. Two other interpretations have been offered:

* Since the data are so uncertain, the downturn might be a statistical illusion. Using data from the recipients of charitable expenditures, Putnam (2000) shows that a downturn (relative to GDP) occurred on that side of the ledger as well.

* Since considerable giving depends on wealth rather than income, it might be argued that the downturn occurred because of a lag in people's perception of how fast their wealth has accumulated. Since saving behavior contributing to wealth has been decreasing, the declining share of personal charity might, in part, be tied to saving behavior.

Table X-7.1 also presents a series on volunteering, which excludes "informal volunteering." The numerator is the estimated equivalent of full-time volunteers, where I assume that 1700 volunteer hours equals one full-time worker. The denominators are respectively full-time equivalent workers in the labor

force and also the population between 16 through 64. Three difficulties arise in interpreting these data:

* The estimates are based on survey data and the results depend a good deal on how the question is posed. Since the wording of the question was different before and after 1987, the data in these time-periods are not completely comparable.

* According to Murray Weitzman (personal communication), more people are volunteering, but they are volunteering for fewer hours. Respondents often find it difficult to recall short-term volunteer efforts, so in later years the series may have a downward bias.

* The underlying data are sufficiently uncertain that the downward trend observed in the 1990s might be due to chance.

Appendix X-7.3: SOURCES OF DATA ON “DISCONNECTED LABOR”

In 1995 part-time workers constituted about 18.6 percent of the labor force (Jacobs, annual, 1999, Table 1-8). Furthermore, from Cohany, et al. (1998) and Polivka (1996) we can calculate that, as a percent of the employed labor force, full-time contingent workers in the same year (definition 3) amounted to 2.6 percent; full-time independent contractors excluding those included as contingent workers, 4.4 percent; and other workers in “alternative employment,” 1.9 percent. So “disconnected labor” amounted to roughly a quarter of the labor force.

Unfortunately, data on contingency workers are not available for years before 1995. The percentage of part-time workers has risen since 1950 by about the same amount that the percentage of self-employed fell (calculated from Department of Commerce, Census Bureau (1975, Series D116 - 26), Jacobs (annual, 1999, Table 1-8), and Bregger (1996)). Therefore, the increasing share of disconnected

workers in the labor force was due mainly to a rise in contingency workers, workers subject to call, and workers supplied by temporary-help and contract agencies. The share of workers supplied by temporary-help agencies rose from less than 0.3 percent of the labor force in 1972 to 2.1 percent in 1998 (Segal and Sullivan (1997); and National Association of Temporary and Staffing Services (<http://www.natss.org/>)). These data overlap slightly those for part-time workers.

Several caveats are in order. Between 1995 and 1997, the share of contingency workers decreased (Hipple, 1998), but this seems to have been due to the vigorous phase of the business cycle. Some have also argued that part-time workers will increase because the industries in which such workers are employed are also the faster-growing industries. Although this relationship held between 1983 and 1993, it was not evident before 1980, so its inevitability is doubtful (Fallick, 1999). Finally, it should be noted that the series enumerating disconnected workers for 1950 - 70 is not comparable with the series for the period 1970 - 98. My long-term generalizations are based on a calculation in which the two series are spliced.

Appendix X-7.4: DATA ON GOVERNMENTAL EFFECTIVENESS

Two organizations of business executives, the World Economic Forum (1999) and the International Institute for Management Development (IMD) (1999), carried out surveys of top-level business personnel. In each country they ask questions about the extent of various types of government regulations and the degree of effectiveness of governmental institutions and policies. Presumably, such respondents have considerable experience in dealing with the government and its economic policies. From such answers I constructed indices of governmental effectiveness for 21 key OECD nations and Table X-7.2 reports these

Table X-7.2: Government Effectiveness Index, 1999
(10 = high; 1 = low)

	General govern- mental institutions	General govern- mental policies	Judicial institu- tions	Tax policies	Enforce- ment of laws	Total	Rank
<u>Panel A: Index and its components</u>							
Weights	20%	20%	20%	20%	20%		
Australia	6.64	6.56	8.60	5.19	6.92	6.78	11
Austria	6.40	6.70	8.40	5.94	9.40	7.37	5
Belgium	4.94	6.21	7.11	2.87	6.62	5.55	19
Canada	6.90	6.37	8.79	7.16	8.37	7.52	2
Denmark	7.01	6.80	8.67	5.71	8.80	7.40	4
Finland	7.81	7.44	8.74	6.75	9.27	8.00	1
France	5.68	6.04	7.75	5.07	8.08	6.52	16
Germany	5.77	6.47	8.48	4.65	8.32	6.74	13
Greece	4.28	5.17	6.29	2.69	7.67	5.22	20
Ireland	6.62	6.62	8.06	5.19	8.02	6.90	10
Italy	3.98	5.24	5.88	3.01	6.44	4.91	21
Japan	4.93	5.11	7.54	6.35	8.31	6.45	17
Netherlands	6.96	6.94	8.65	6.33	7.41	7.26	6
New Zealand	6.53	6.68	8.66	7.35	6.79	7.20	7
Norway	6.17	5.89	8.27	5.71	8.71	6.95	9
Portugal	5.43	5.95	6.75	3.42	8.81	6.07	18
Spain	6.12	6.72	6.96	5.43	7.89	6.62	15
Sweden	6.03	6.07	8.53	4.51	8.72	6.77	12
Switzerland	6.82	6.20	8.54	6.92	9.04	7.50	3
U.K.	6.43	5.53	8.33	6.96	8.45	7.14	8
U.S.	6.07	6.16	7.94	6.65	6.48	6.66	14
Average	6.07	6.23	7.95	5.42	8.03	6.74	
Coefficient of variation	0.16	0.10	0.11	0.27	0.12	0.11	
U.S. Rank	13	13	14	6	20	14	
<u>Panel B: Matrix of correlation coefficients</u>							
General govt. institutions		0.81*	0.87*	0.76*	0.42*	0.95*	
General govt. policies			0.62*	0.41	0.19	0.69*	
Judicial institutions				0.76*	0.38	0.91*	
Tax policies					0.27	0.86*	
Enforcement of laws						0.56*	

Note: In Panel A high scores indicate greater effectiveness, with all scores running from 1 through 10. The coefficient of variation is the standard deviation divided by the mean. In Panel B the asterisks designate statistical significance at the .05 level.

results.

In interpreting this table, three biases must be taken into account. First, the answers come from only one segment of the population. Although this segment is informed about the economy, it has certain predispositions toward government. Second, respondents were asked only about their own country, so that any ideological predispositions of businesspeople in a given country that differ from those in other countries would be reflected in the answers. Since these businesspeople from various countries participate as members in the activities of the organizations carrying out the surveys, presumably they have an international perspective and share certain common views about the relative state of affairs in their country and in others. Third, the samples are small, ranging on the average from 80 to somewhat more than 100 respondents.

The 50 individual indicators comprising the index are listed in Table X-7.3. In certain cases the questions asked by both the IMD and the WEF were roughly similar; I included both, but gave each answer half the weight I would have ordinarily given the question. In most of these cases, the answers from the two surveys are highly correlated. For corruption I used the index of Transparency International (www.transparency.de). Each question was scaled from 1 to 10, with 10 indicating the highest degree of governmental effectiveness and 1, the lowest.

To make the overall index I weighted each indicator according to the importance I (subjectively) believe it adds to the total index. Unfortunately, no method was available to yield more objective weights. Since all sources are cited, others can calculate this index using weights they feel are more appropriate.

Table X-7.3: Components of Government Effectiveness Index

	<u>Source</u>	<u>Weight</u>	<u>R with area</u>
A. Effectiveness of governmental institutions in general			
1. Independence: 20%			
Civil service is independent from political pressure (survey).	WEF #2.08	0.100	0.87
The public service is immune from political interference (survey).	IMD #3.33	0.100	0.84
2. Honesty: 20%			
Corruption index (survey of surveys)	TI	0.050	0.90
Sweetheart deals between well-connected private firms and the government are not common (survey).	WEF #8.02	0.025	0.78
Irregular additional payments connected with import and export permits, business licenses, exchange controls, tax assessments, police protection, or loan applications are not common (survey).	WEF #8.03	0.025	0.84
Personal bribes and kickbacks to senior politicians are rarely alleged in public discussions and rumors (survey).	WEF #8.20	0.025	0.76
Forced contribution to political parties are rarely alleged in public discussion and rumors. (survey).	WEF #8.21	0.025	0.73
Legal regulation of financial institutions is adequate for financial stability (survey).	IMD #4.21	0.025	0.70
Bribery and corruption don't exist in the public sphere.	IMD #3.36	0.025	0.90
3. Effectiveness: 40%			
Government decisions are effectively implemented (survey).	IMD #3.31	0.100	0.90
On average competence of personnel in public service is higher than private sector (survey).	WEF #2.05	0.100	0.65
The legislative activity of the parliament meets the competitive requirements of the economy (survey).	IMD #3.28	0.050	0.79
The government communicates its policy intentions clearly (survey).	IMD #3.30	0.050	0.64
The political system is well adapted to today's economic challenges (survey).	IMD #3.32	0.050	0.71
Government bureaucracy does not hinder business development (survey).	IMD #3.34	0.050	0.92
4. Stability: 20%			
New governments honor the commitments and the obligations of previous regimes (survey).	WEF #8.13	0.090	0.77
Risk of political instability is very low (survey).	IMD #3.47	0.045	0.66
Legal and political institutions are unlikely to change dramatically in the next five years (survey).	WEF #8.01	0.045	0.79
Consensus within the cabinet about policy direction is high (survey).	IMD #3.29	0.020	0.64
B. Effectiveness of government policy			
1. Independence: 15%			
Governmental economic policies are independent of pressure from special interest groups (survey).	WEF #2.06	0.150	0.65

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Table X-7.3 continued

	<u>Source</u>	<u>Weight</u>	<u>R with area</u>
2. Adaptability: 15%			
Restructuring the domestic economy is adapted for long-term competitiveness (survey).	IMD #1.28	0.075	0.73
Government adapts its economic policies to changes in the economic environment (survey).	IMD #3.26	0.075	0.65
3. Effectiveness: 70%			
Competition laws prevent unfair competition (survey).	IMD #3.43	0.050	0.82
Antitrust or anti-monopoly power effectively promotes competition (survey).	WEF #8.22	0.050	0.59
Parallel (black market, barter, unrecorded) economy does not impair economic development (survey).	IMD #1.09	0.100	0.34
The exchange rate policy in your country supports the competitiveness of enterprises (survey).	IMD #2.24	0.100	0.75
Customs administration doesn't hinder the efficient transit of goods (survey).	IMD #3.35	0.100	0.78
Central bank policy has a positive impact on the economic development (survey).	IMD #4.17	0.100	0.68
Infrastructure maintenance and development is adequately planned and financed (survey).	IMD #5.01	0.050	0.61
Health infrastructure meets the needs of society (survey).	IMD #5.07	0.050	0.61
The state of diplomatic relations with neighboring countries facilitates business activity (survey).	WEF #8.16	0.050	0.74
The state of diplomatic relations with the rest of the world facilitates business activity (survey)	WEF #8.17	0.050	0.73
C. Effectiveness of the judicial system			
1. Fairness: 35%			
Justice is fairly administered in society (survey).	IMD #3.44	0.130	0.92
The judiciary is independent and not subject to interference by the government and/or parties to a dispute (survey).	WEF #8.05	0.130	0.96
A legal framework exists for private businesses to challenge the legality of government actions and/or regulations (survey).	WEF #8.10	0.030	0.92
The likelihood of winning a dispute filed against the government or state agency is high (survey).	WEF #8.11	0.030	0.78
Private businesses are allowed to seek compensation from the state for damages incurred as a result of unlawful interference (survey).	WEF #8.12	0.030	0.88
2. Effectiveness: 35%			
The lack of legal protection is not an important obstacle to starting a new business (survey).	WEF #8.07	0.070	0.84

Continued on next page.

Table X-7.3 continued.

	<u>Source</u>	<u>Weight</u>	<u>R with area</u>
Intellectual property is well protected (survey).	WEF #5.11	0.070	0.73
Private businesses are more likely to settle disputes out of court, rather than inside the court system (10 = not true) (survey).	WEF #8.06	0.035	-0.33
The costs of litigation, including the duration of the process and attorney's fees, are an effective deterrent to litigation (10 - survey score)	WEF #8.07	0.035	0.55
Compliance with court rulings and/or arbitration awards is high (survey).	WEF #8.08	0.070	0.78
The legal framework is not detrimental to competitiveness (survey).	IMD #3.27	0.070	0.89
3. Honesty: 30 %			
Irregular payments to judges, court personnel, or other officials involved in enforcement and execution of judgments are not common and never influence the outcome of court proceedings (survey).	WEF #8.09	0.300	0.94
D. Effectiveness of the tax system			
Tax evasion is minimal (survey).	WEF #2.10	0.50	0.98
Tax evasion is unusual (survey).	IMD #3.25	0.50	0.98
E. Effectiveness of law enforcement			
Crime rate: Number of murders, violent crimes, or armed robberies per 100,000 inhabitants (10 - crime rate /100)	IMD #3.48	0.35	0.73
Organized crime does not impose significant costs on businesses (survey).	WEF #8.15	0.35	0.63
The police effectively safeguard personnel security, so that it is not an important consideration in business activity (survey).	WEF #8.14	0.15	0.54
Personal security and private property are adequately protected (survey).	IMD #3.45	0.15	0.67

Note: Data are from International Institute for Management Development (IMD), World Economic Forum (WEF), TI = Transparency International (www.transparency.de).

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