Volume 11
Number 4
Q4 2001

Regional Review

The Federal
Reserve Bank
of Boston

WITHIN REACH

As luxury brands move into everyday products, we have (almost) all become upscale consumers. Is that so bad?

ALSO

The history of higher education

Can a neighborhood affect success?

this issue

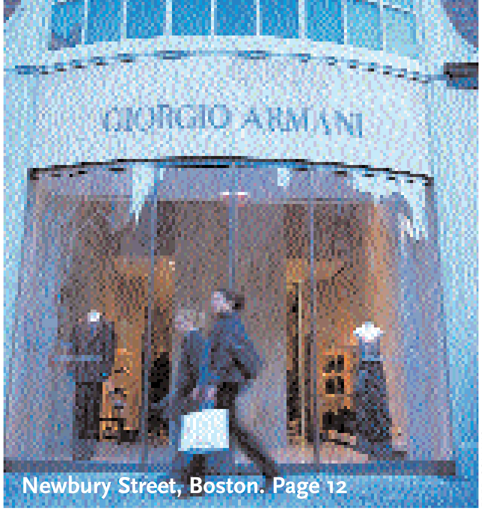
ECONOMIC GROWTH IMPROVES the quality of life. Yet, ensuring each person's access to the fruits of prosperity remains a challenge. This issue focuses on factors that influence this access within communities, within regions, and across the nation.

In **The Geography of Life's Chances**, Miriam Wasserman considers the role that neighborhoods play in determining the success of the people who live there. The Gautreaux Program and the Moving to Opportunity Program have helped low-income families move from inner-city public housing to lower-poverty neighborhoods. Wasserman examines the early evidence on how these neighborhoods affected their new residents.

Harvard Professors Claudia Goldin and Lawrence F. Katz examine the impact of history on **The Shaping of Higher Education in the United States and New England.** They argue that states that entered the Union early established strong private colleges and spent less on public institutions. They consider what this legacy has meant for New England's schools and residents.

The advent of mass luxuries like Starbucks coffee has made access to the good life more open than ever, argues University of Florida Professor James B. Twitchell in **A (Mild) Defense of Luxury**. While many worry that American culture has become synonymous with the possession of things, Twitchell points out that materialism is more democratic than ancestry, birth order, or belief. But it also places a double burden on the poor, who have neither the goods that money can buy nor the access to the cultural meanings they bestow.

Cathy E. Minehan
President, Federal Reserve Bank of Boston



Newbury Street, Boston. Page 12

FRED COLLINS

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COVER PHOTOGRAPH BY KATHLEEN DOOHER

observations

Generic profits

GROCERY RETAILERS compete fiercely by advertising low prices on popular name-brand items like Tropicana orange juice or Ritz crackers, sometimes even pricing a popular item below its wholesale cost (and absorbing a net loss) to attract customers.

How, then, do supermarkets make any profit? They only earn pennies on nationally branded items, and the store-brand products sell at even lower prices. Well, maybe those inconspicuous shelf-mates bearing the store's logo and an appealing price tag are not as humble as they look. On average, retailers reap a profit margin 27 percent greater on these "private-label" items than on national brands, according to a recent study by the marketing research firm Datamonitor.

Private-label goods have been on store shelves since the 1860s when A&P introduced store-brand bulk commodity staples like Our Own tea and Eight O'Clock coffee. But only recently have store-brand products shaken their image as poor-quality, "generic" items and extended into categories such as health foods, gourmet items, baby food, and health and beauty products. As a result, private-label sales accounted for $48 billion of the roughly $315 billion U.S. food and beverage market in 1999, marking a 23 percent increase from 1995.

What A&P discovered long ago is that private-label manufacturers carry very low advertising and research and development costs, so retailers face lower wholesale prices on these goods than on national brands. The grocer can substantially mark up the price of even "premium" store-brand cookies while still keeping them cheaper than the barely marked-up Chips Ahoy brand.

Professors Robert Barsky, Mark Bergen, Shantanu Dutta, and Daniel Levy measured markups on nationally branded products and private-label goods comparable in size, quality, and packaging using supermarket scanner data from a Chicago-area supermarket chain. By the authors' calculations, Tylenol Tablets, for instance, were priced an average of only 2 percent over wholesale cost, while the store-brand equivalent was marked up 30 percent. Surprisingly, the supermarket made the largest gains on toothbrushes: While a shopper might have paid an average of 14 percent over the wholesale price for a #5 Soft Crest Tooth Brush, the lower-priced store-brand version was available at 603 percent over its wholesale cost.

In addition to yielding high profit margins, private-label goods also help differentiate competing grocery stores, since private-label items are unique to each store. So don't be ashamed to take advantage of those bargains; penny-pinchers are more than welcome in supermarkets these days. — *Leslie Mann*

HOME TIE$

A few decades ago, a worker leaving his or her native country would likely be ignored by the home country's government or, in some cases, might even have been frowned upon. These days, the money this worker sends back home represents such a substantial inflow of capital — up to almost 10 percent of GDP in some developing nations — that receiving countries can hardly afford to be critical. On the contrary, the governments of many countries go to great lengths to show their gratitude. In the Philippines, for instance, the first Sunday of Lent is celebrated as National Migrants Day to honor Filipino men and women who are referred to as "modern day heroes," "economic saviors," and "future saints of our dear Motherland." ***(continued on next page)***

TOP REMITTANCE* RECEIVING COUNTRIES IN 1999

	REMITTANCES (MILLIONS OF US$)	REMITTANCES AS A SHARE OF: GDP (PERCENT)	EXPORTS (PERCENT)	FDI (PERCENT)	OFFICIAL AID (PERCENT)
RANKED BY TOTAL REMITTANCES					
1 India	11,002	2.4	23.0	507	741
2 Mexico	5,909	1.2	4.0	50	16,883
3 Turkey	4,529	2.3	10.6	578	-45,290
4 Portugal	3,343	2.9	9.9	297	NA
5 Spain	3,336	0.6	2.0	22	NA
RANKED BY REMITTANCES AS A SHARE OF GDP					
1 Jordan	1,664	20.6	47.1	1,053	387
2 Haiti	626	15.3	125.0	2,087	238
3 Nicaragua	300	13.6	39.3	100	44
4 El Salvador	1,374	11.0	43.9	594	751
5 Albania	357	9.7	129.8	867	74

*NOTE: REMITTANCES are monetary transfers sent home from workers abroad for more than one year. These numbers are generally considered low due to underreporting. FOREIGN DIRECT INVESTMENT (FDI) is equity capital, reinvested earnings, transactions between affiliates, and other capital that flows into the reporting economy. OFFICIAL AID includes grants, loans, and technical assistance offered by official agencies to an OECD list of developing countries, given at concessional financial terms. Excludes military assistance and payments to individuals.

SOURCES: IMF, World Bank, OECD, and Standard & Poor's DRI.

ILLUSTRATIONS BY MARTIN HAAKE

Now, many countries actively try to encourage remittances from migrant workers and to channel some of the money through the domestic banking system. Some regulate the money transfer firms, in an attempt to lower costs and ensure the safety of transfers. Others, like Egypt, Turkey, and Poland, give preferential exchange rates. And Sri Lanka, Bangladesh, and India offer dollar-denominated accounts with higher interest rates.

Countries are also seeking to strengthen economic ties with citizens who have permanently settled abroad by adopting dual citizenship legislation. A study of 17 Latin American countries by the Tomas Rivera Policy Institute found that between 1996 and 2000 the number of countries that allowed dual citizenship grew from four to 14. Similar laws are now being considered by the Philippines, South Korea, and India, and 15 African nations had dual citizenship laws in 2000.

In addition to benefiting from the incentives to facilitate remittances, dual citizens are exempt from restrictions on foreign investors in their countries of origin. In Mexico, for instance, dual nationals can now invest in such "strategic" industries as telecommunications and petrochemicals, or can own property in coastal areas or near the national border, privileges not ordinarily open to foreigners. Mexican emigrants can also return home upon retirement and take advantage of domestic health care and retirement plans, should they choose to do so. Nonetheless, since 1998 only about 26,000 Mexican-Americans have reclaimed the Mexican nationality they gave up when they became U.S. citizens.

While countries may have turned from criticizing migrants to wooing them, some migrants are now beginning to criticize their governments' actions — feeling empowered by their growing economic importance. Though the governments may not always appreciate it, this meddling in domestic matters could end up benefiting their countries in the long run.

— Oksana Nagayets

perspective

WHILE MORE PEOPLE ARE PAYING ELECTRONICALLY, MANY OF US STILL CLING TO CHECKS

by Joanna Stavins § The modern consumer faces a vast array of choices, not only in what he or she purchases, but also in how to pay. The expanding availability of electronic methods such as debit cards and direct payment has made it possible to go for days without writing a check or touching paper currency. But recent estimates indicate that an average American still reaches for a checkbook about 20 times each month. The problem is that checks are one of the more costly types of payments to process. A 1996 study by the Federal Reserve suggested we might save close to half of the $225 billion we spend on our payments system each year if we switched all paper check payments to electronic forms. But the movement to abandon a check-based system has been relatively slow on the part of both consumers and banks. Why are we so reluctant to give up our checks?

One reason is that we are used to them. The check has been with us since the 1500s, when traders in Amsterdam's business centers introduced the idea of accepting cash deposits and paying depositors' debts. The printed check first appeared in England in the 1760s, and has been in use in the United States since the time of the early settlers. Many years of safe checking have made checks both familiar and trustworthy.

Checks are also easy to use and nearly universally accepted, making them especially convenient when the payee is far away, as is often the case when paying bills. And they offer "float," money accrued between the time the check is written and the time the money is debited from the check writer's account. Banks also have little incentive to replace checks. Checks are profitable, and the decentralized structure of the U.S. banking market makes coordination of a new payments system difficult. As a result, an estimated 50 billion checks are written each year in the United States, according to a recent Federal Reserve study.

In the last 20 years, though, banks have provided consumers with a variety of electronic alternatives. Automatic teller ma-

chines (ATMs), credit cards, smart cards, and debit cards have become widely available. The Automated Clearing House (ACH) handled 5.6 billion transactions in 2000, including direct deposit of paychecks and Social Security payments and direct withdrawal of recurring payments such as utility and insurance bills.

These electronic options offer many of the features of checks, along with some additional benefits. Both credit and debit cards are accepted at almost as many retail outlets as checks, and they are often faster in the checkout line. Credit cards offer float and consumers often use them as an easy way to borrow. Automated bill payments save time and money: Consumers don't have to write a separate check for each bill, and they don't have to pay postage. Direct deposit guarantees that funds will be deposited on time and avoids the hassle of going to the bank.

Consumers are starting to take notice. Between 1990 and 1997, the share of household bills (such as utilities) paid by check decreased from 86 percent to 79 percent, while the share paid electronically increased from 4 percent to 9 percent. My research shows that paying electronically is especially popular with professional and technical workers, married people, and homeowners. Each increase of $10,000 in household income raises the probability of using any electronic form of payment by almost 3 percentage points. Households where members have attended some college are more likely to use all forms of electronic payment except for smart cards, for which the effect was also positive but not statistically significant. Younger people are more likely to use ATMs, smart cards, and debit cards, but less likely to use credit cards, direct payment, or direct deposit. Nonetheless, checks still remain the noncash payment instrument of choice for many American households. About 60 percent of noncash payments in the United States are still paid by check.

The average American still reaches for a checkbook about 20 times a month

This fondness comes at a cost. Clearing checks is a time-consuming and complicated procedure, and one that cannot be fully automated. At a retail store, for example, after a consumer writes a check, the retailer deposits the check at its financial institution. If the retailer and the consumer use the same bank (about 30 percent of check transactions), processing is easy and the check need not leave the bank to be verified. But if the consumer uses a different bank, the retailer's bank must find a way to collect on the deposit. It may pay the Federal Reserve Bank or a private clearing house to process the check, or it may make an agreement with other banks to handle the deposit directly. The intermediary clears,

illustration by serge bloch

REALITY CHECK

	TRANSACTION VOLUME		DOLLAR VOLUME		AVERAGE PAYMENT
	IN BILLIONS	% OF NONCASH PAYMENTS	IN BILLIONS	% OF NONCASH PAYMENTS	
Check	50	63	$47,700	87	$961*
Credit card	15	19	$1,240	2	$82
Debit card	8	11	$350	1	$42
Automated Clearing House	6	7	$5,680	10	$1,009

*Includes business checks, which tend to have higher payment amounts than consumer checks. Businesses write 32 percent of checks, but account for 62 percent of the dollar value of checks written.
SOURCES: Check data from Depository Financial Institution Check Study, Federal Reserve Bank, 2000. All other data from Electronic Payment Instrument Study, Federal Reserve Bank, 2000.

sorts, and distributes all its checks. The check goes to the consumer's financial institution, which determines whether the consumer has money available to cover the payment and debits the account appropriately. If there are sufficient funds in the payee's account, the original check is then returned to the consumer in a monthly bank statement.

Banks have streamlined this process somewhat by using electronic check processing for a fraction of checks, a method whereby the information from a paper check is transmitted electronically as a digital data file or image. But because consumers and their banks want their original checks returned to them, the vast majority of checks processed electronically are still followed by the paper originals, reducing the cost savings. According to a 1996 study published in the Minneapolis Fed's *Quarterly Review*, the total social cost of clearing a check was nearly $3.00 apiece, as compared to roughly $1.25 for a transfer via ACH.

This differential would appear to give banks a big incentive to move away from paper checks. Yet they, too, still cling to the paper-based system. One major reason is consumer preferences. Bank customers feel uncomfortable with the idea of others having access to their accounts, especially for automated withdrawals. Many are reluctant to relinquish having their paper checks returned to them, since they are accustomed to using them for record keeping and account balancing. Banks fear losing customers if they push too hard for electronic substitutes.

There are also technical and coordination barriers. Once an electronic system is in place, an individual electronic payment costs less to process than a check-based payment. But making electronic payments available requires a significant investment in technology and staff training for banks and their corporate customers. Furthermore, no bank wants to invest only to find that none of its competitors has followed suit, or that they have adopted a different and incompatible system. This is especially problematic in the United States, where there are nearly 10,000 banks. Such decentralization, unusual in a developed country, makes it more difficult to coordinate a national move to electronic payments.

Finally, neither banks nor consumers now directly face the full cost of the checks they write. Consumers' check use is subsidized by monthly checking account surcharges, lower interest rates, and fees on electronic transactions, such as ATM fees. Consumers don't pay the full cost directly when they write a check and have little incentive to switch to another payment form. Likewise, banks have little incentive to discourage check writing by their customers since it is the depositing bank — not the bank on which the check is written — that pays the processing fee. Banks also have no inducement to coordinate their payments strategies without some assurance that others will go along. In the end, everybody loses. One study suggests that we could save up to 1.25 percent of GDP each year if we switched to a fully electronic system, an amount that would have paid our yearly residential gas and electric bill in 1997, or half what we spend annually on higher education. But that would mean changing the prices that consumers face when they use checks and electronic payments to reflect their true cost, something banks so far seem reluctant to do.

The federal government has helped by passing the Electronic Funds Transfer Act of 1999 which requires that all federal payments be made electronically. Today 96 percent of federal government employees and almost 80 percent of Social Security recipients use direct deposit as compared to only about half of private sector employees. And this may be one reason why increasing age seems to affect whether someone uses electronic payments.

The Federal Reserve Board has also proposed reducing the barriers by making it legal for banks to return digital images or image replacement documents to customers in place of original paper check returns. In the long term, the Fed should also align its pricing structure to encourage customers to choose what is best both for themselves and for society. ☼

Switching all paper check payments to an electronic form would require a big investment, but could save an estimated $112 billion each year

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JOANNA STAVINS IS SENIOR ECONOMIST AT THE BOSTON FED. HER ARTICLE, "EFFECT OF CONSUMER CHARACTERISTICS ON THE USE OF PAYMENT INSTRUMENTS," APPEARED IN THE *NEW ENGLAND ECONOMIC REVIEW*, ISSUE NUMBER 3 (2001).

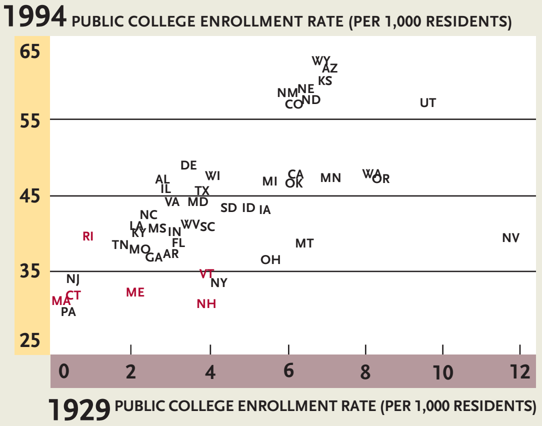
THE SHAPING OF HIGHER EDUCATION IN THE UNITED STATES AND NEW ENGLAND

BY CLAUDIA GOLDIN AND LAWRENCE F. KATZ
ILLUSTRATIONS BY JAMES STEINBERG

THE AMERICAN HIGHER EDUCATION system is unequaled in many respects. First and foremost, it is a system of world-renowned excellence in teaching and research. U.S. colleges and universities attract students and faculty from the world over. Our global trade position in higher education — 11 percent of all U.S. graduate students are not U.S. nationals — is but one indication of America's extraordinary comparative advantage in it .§ This supremacy is due, in large measure, to a system of nationwide competition among both public and private schools. In that sense, we are virtually unique; the United States has one of the few higher education systems in the world with a large and vibrant private sector. Private colleges and universities compete with state systems — and with each other — for students, faculty, and resources. Over the past decades, competition has increased along with the greater geographic mobility of both American and international students. Yet, not all parts of the United States have developed

The tradition of public institutions

New England states have long had relatively low enrollments in public colleges and universities.



NOTE: Public school enrollment is all students in nonpreparatory departments, including undergraduates, graduate students, and those in professional programs.

SOURCE: All charts in this article are from Claudia Goldin and Lawrence F. Katz, "The Shaping of Higher Education: The Formative Years in the United States, 1890 to 1940," NBER Working Paper no. 6537, April 1998.

the same mix of public versus private institutions. Some, such as New England and the Middle Atlantic states, have long seen relatively high enrollments per capita in private colleges and universities, low enrollments per capita in public institutions of higher education, and low government expenditures per capita on the same. Others, such as the states in the midsection of the country and in the West, have displayed the opposite pattern.

These regional differences were already determined more than a century ago. In New England, it seems that the existence of a large group of extremely fine private institutions was significant in altering the path of higher education there. One result of historically lower expenditures and enrollment rates at public institutions was reduced rates of college attendance generally, whether at public or private schools. New England also recorded lower rates of college enrollment of women as compared with men, since private (secular) schools were less open to women than were public institutions. Today these connections appear to be less important, as three of the New England states are among the top nine in college-going among young residents. But the legacy of low public spending in New England continues to raise concerns about the accessibility of higher education for the region's low- and middle-income residents.

PERSISTENCE AMIDST CHANGE

A prospective college student in the United States today is faced with a mind-boggling set of choices: small liberal arts colleges and large research universities, residential and commuter colleges, religious-based and secular institutions, and two-year and four-year schools. And nearly all can be found in both the public and private sectors, where "public" and "private" are determined by who "controls" the institution.

But this was not always the case. A century ago, the U.S. higher education system was not yet the finest in the world. In many of the sciences, for example, German universities reigned supreme. Most American institutions were small compared with current standards and not much larger than the liberal arts colleges of the day. Public universities were often no larger than private universities and research was not a central part of a faculty member's daily activities. Most professional schools, such as law and medical faculties, were independent entities, unattached to large universities. The grand division of labor in universities, which has given us countless disciplines, professional schools, and graduate programs, did not yet exist.

The distinctive features of today's U.S. higher education system began to emerge around the 1890s and, by the 1920s, the U.S. higher educational system had assumed its modern form. But even though this transition — what we term, "the shaping of higher education" — took only about 30 years, history would matter considerably, particularly in the division between the public and private institutions. In that sense, New England's higher education system became distinctive a long time ago.

Almost all New England and Middle Atlantic states already had a noted private college at the time they joined the Union. Harvard, in Massachusetts, founded in 1636; Yale, in Connecticut (1701); Princeton, in New Jersey (1746); Columbia, in New York (1754); University of Pennsylvania (1749); Brown, in Rhode Island (1764); Dartmouth, in New Hampshire (1769); and Bowdoin, in Maine (1794). Only Vermont began statehood without a private college — at least not one that survived to

THE UNITED STATES IS ONE OF
WHERE PRIVATE AND

the 1890s — and only Vermont, among the nine states of the Northeast, set up a state-funded and state-controlled university before the Civil War. The University of Vermont was founded in 1791, several years before the state's first private institution, Middlebury College (1800).

The states (and regions) that early in their histories had established numerous excellent private colleges and universities have given scant support to public institutions on a per capita basis and continue to be less generous today. Similarly, states that in the past were generous in terms of per capita state and local government spending on higher education continue to give amply today. A strong positive relationship exists between state and local higher education spending per capita in 1929 and more recently. There is considerable persistence in governmental commitment to public institutions of higher education.

THE FEW COUNTRIES PUBLIC COLLEGES COMPETE

Such differences in public largesse have had long-term impacts on the composition of student enrollments. States with greater public college enrollments per capita in 1929 are, by and large, those with greater public enrollments today.

Because the states with numerous private institutions of higher education are primarily in the Northeast and were, by and large, among the original thirteen, the year of statehood strongly predicts which states have extensive private systems. The four New England states that were among the original thirteen had the highest private enrollment rates in 1901. But even without New England, there is a clear relationship between early statehood and the private enrollment rate. The states that entered the Union first had private institutions early in their histories. The states that entered after the Civil War often set up state institutions before private institutions could be established.

One consequence of having successful private colleges and universities early in a state's history is low per capita expenditures on public higher education. The private enrollment rate in 1901, it appears, had negative consequences not only for per capita state support in 1929 but also for that a century later.

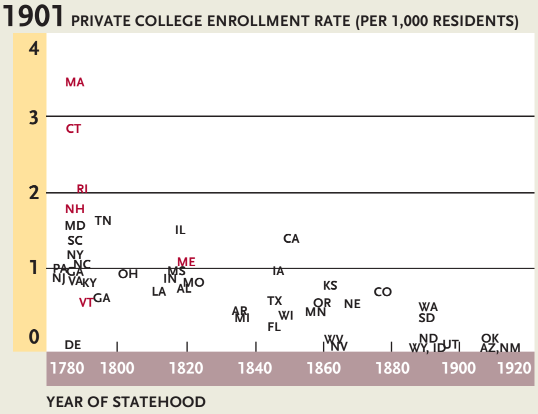
A number of reasons might account for the link between early private colleges and low public funding of higher education. When the private sector is strong, there may be a diminished demand by students and their families for access to public higher education. In states with early and excellent private universities, those nominally in power often had degrees from those institutions and were particularly susceptible to the efforts of private universities to thwart public-sector competition.

Whatever the reason, it is clear that early establishment of a private higher education system is related to diminished support for public institutions. The upshot? Some states have extremely good private higher education systems and some have extremely good public higher education systems, but few states have both, with California and Illinois among the notable exceptions.

One result was a long-term impact on college enrollments generally. States with low per capita support to public institu-

Early admission

States that entered the Union early tended to have high enrollment rates in private colleges.



NOTE: Private college enrollment includes any (nonpreparatory) student attending a privately controlled institution of higher education in the state.

tions were also those with low overall college enrollment rates of their residents in 1930. That is, it appears that lower expenditures on public higher education have been associated with lower college enrollment rates of their state residents, regardless of the type and location of college. This has been especially evident in New England. Even in Massachusetts, long a leader in education, residents ranked seventeenth in the nation in college enrollment rates in 1930; New Hampshire was twentieth, and the rest of New England states ranked in the bottom third. Over time, however, this association, while still present, appears to have weakened. By 1994, enrollment rates in the region appeared to be far less related to spending on public higher education.

THE EMERGENCE OF ECONOMIES OF SCALE AND SCOPE

No matter how rich a philanthropist is today — even Bill Gates, for example — that person's name will probably never adorn a first-rate private institution of higher education. A building, perhaps. Maybe even a professional school. But not an entire institution. Andrew Carnegie, Andrew Mellon, Leland Stanford Jr., Cornelius Vanderbilt, and John D. Rockefeller endowed their universities at the close of the nineteenth century (all eponymous except for Rockefeller's University of Chicago). But they did so at the end of an era. Only one private university in a recent *U.S. News & World Report*, "Top 50 National Universities," was founded after 1900. And that institution, Brandeis University (founded in Massachusetts in 1948), was able to take advantage of a minority population with money and talent who had been denied equal access to many of the great private institutions in the region.

The structure of knowledge began to change radically in the late nineteenth and early twentieth centuries. Although these changes often did not originate in universities and colleges, they were to affect them greatly. The changes can be likened to those that occurred in manufacturing when technologies like the steam engine, electricity, or, later, computers spread throughout the economy and firms in a host of industries were forced to adjust. In higher education, a different set of wide-ranging changes transformed what was taught, who taught it, and how it was taught. They created a new relationship between research and teaching and affected both the scale and scope of higher education.

In the late nineteenth century, institutions of higher education were generally small and staffed by a handful of professors. The college president was a member of the faculty and often chose the rest. The difference in size between private universities and liberal arts colleges and between private and public universities was relatively small. In 1897, for example, the largest private institution, Harvard University, was also the largest among all institutions and enrolled almost 2,100 undergraduates, and 3,700 students including those enrolled in professional programs. The largest public university was the University of Michigan, with about 1,500 undergraduates and 2,900 including those in professional programs. The largest liberal arts college in 1897 was all-female Smith College, with about 930 undergraduates. The University of Illinois had only 900 students; Oberlin, the first coeducational college in the United States, had about the same. Many of the modern distinctions between colleges and universities, and between the public and the private sectors, were yet to emerge.

But by the latter part of the nineteenth century, academic subjects had become increasingly subdivided and specialized. First in the sciences, a bit later in the social sciences and engineering, and then finally filtering into the humanities and history, specialized fields began to emerge that were taught by separate faculty and housed in separate academic departments. The changes in each discipline were brought about by different factors and at slightly different times. Yet, they shared several factors, including the application of science to industry, the growth of the scientific and experimental methods, and an increased awareness of social problems brought about by a more industrial and urban society.

Chemistry and physics became progressively more important in industry, most notably in the manufacture of steel, rubber, chemicals, sugar, drugs, nonferrous metals, petroleum, and goods directly involved in the use or production of electricity. Firms that had not previously hired trained chemists and physicists did so at an increasing rate, as did federal and state governments. Science replaced art in production; the professional replaced the tinkerer as producer. With greater demand for trained scientists, universities expanded their offerings.

With new research findings, the classical scientific disciplines became ever more fragmented and specialized. In biology, the driving force was less industry and government than the general increase in empiricism and experimentation borrowed from other fields and stimulated by the appearance of Darwin's *Origin of the Species*. In the agricultural sciences, the impetus was, in part, the vastly expanding varieties of crops grown in the United States, a by-product of the great trunk railroads that spurred cultivation clear across the continent.

Even the social sciences expanded and splintered in the late nineteenth and early twentieth centuries. They were given a mission by the growing social problems of industry, cities, immigration, and prolonged depression, first in the 1870s and later in the 1890s. They were shaped by Darwinian thought, Mendelian genetics, and later by the increased role of statistics, testing, and empiricism generally.

To illustrate, consider the increase in the numbers of learned societies founded between 1890 and 1910. In the social sciences, economists formed their society in 1885 and the rest quickly followed: psychologists in 1892, anthropologists in 1902, political scientists in 1903, and sociologists in 1905. The biological and chemical fields also proliferated, and societies were formed for botanists, microbiologists, pathologists, electrochemists, and biological chemists.

These changes, or "technological shocks," in the structure of knowledge had far-reaching implications for the "firms" in the knowledge industry, by which we mean universities and colleges. The scientific method, courses with a practical orientation, the "lecture" method of teaching, and specialization in a host of dimensions swept the world of knowledge.

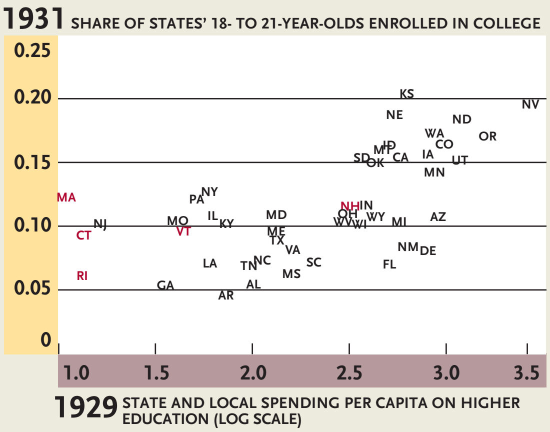
The diffusion of knowledge, moreover, became closely bound up with the creation of knowledge, and research became the handmaiden of teaching. European universities, particularly those in Germany, had long emphasized graduate studies and research, almost to the virtual exclusion of undergraduate training. The Johns Hopkins University, the first graduate and research center in the United States, and Clark University, in Worcester, Massachusetts, were created along these lines, but the model never caught on. Instead, the typical American university as it emerged at the beginning of the twentieth century was a veritable department store of higher education services. It offered courses in specialized disciplines in the sciences and social sciences and modern professional training, along with the more traditional and broader classical subjects. The university also became a production center in which research of one part of the institution enhanced teaching and research in others. And the role of institutional reputation also grew in importance, particularly for professional schools.

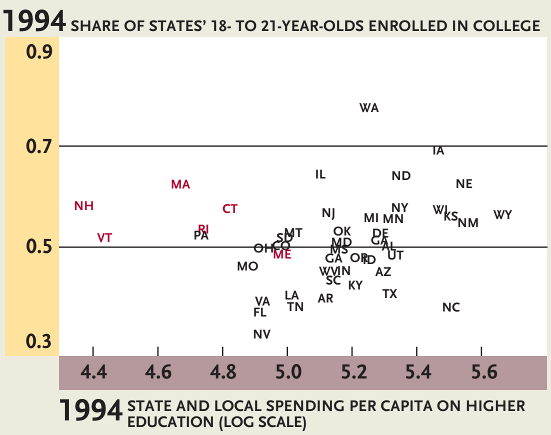
Most of these changes also served to increase economies to scale and to raise the number of faculty members and students that were required to remain viable. A respectable college could no longer be maintained with a mere handful of faculty. In 1897, the median private institution had only 130 students; the median public-sector institution, at 240 students, was not much larger. By 1924, the median private-sector school had grown to 360 students, with public-sector institutions (1,220 students) growing even more rapidly. As we approached the turn of the twenty-first century, the median number of students per institution was about 1,600 in the private sector and almost 8,200 in the public sector — about five times as high.

The growth in scale and scope favored those institutions that could expand most easily. Public-sector institutions, in part because of their diverse nature and, in part because the new fields were deemed valuable to many states, were in a particularly good position compared to liberal arts colleges and even some private universities. Enrollment in public institutions (as a share of all enrolled students) continued to grow in the ensuing decades. In 1890, only 22 percent of students in four-year programs were in public-sector schools. By 1940, that number had

Public spending & total enrollments

In the early 1930s, states with relatively paltry spending on public institutions of higher education were also those with low overall college enrollment rates, regardless of the type and place of college. By 1994, this association appears to have weakened, but is still present.



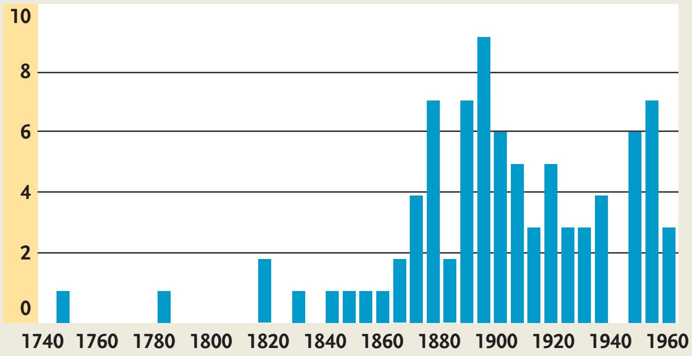


NOTE: College data (freshmen or total) refer to the residents of the state only and are independent of the state in which the college or university is located. They include both public and private institutions.

The emerging academic division of labor

The number of learned societies expanded greatly after 1880, reflecting increasing specialization in the way academic subjects were organized and taught. For example, the American Economic Association was established in 1885, the American Political Science Association in 1903, and the American Sociological Association in 1905.

NUMBER OF LEARNED SOCIETIES ESTABLISHED



NOTE: The year given is the date of founding. Data are grouped in five-year intervals, and the year given is the midpoint.

reached 40 percent. Today about 70 percent of students in four-year programs are enrolled in state schools, and about 80 percent if students in two-year programs are included.

THE POLITICAL ECONOMY OF HIGHER EDUCATION

A primary reason for state support of higher education is to provide "public goods" for the state and its citizens. Early on, state colleges and universities were often established to produce educated personnel needed to staff teaching at elementary (or common) and secondary (or grammar) schools. State institutions in the nineteenth century were more practically and, often, more scientifically oriented than were their private counterparts, in large measure because of their commitment to provide goods and services of value to local industrial interests. In 1862, Congress passed the Morrill Act, sponsored by Congressman Justin Morrill of Vermont, which gave every state a grant of public land, the proceeds of which were to be used to establish colleges in engineering, agriculture, and military science. Even though many state institutions had been founded before Morrill (although with federal land grants), and another group of schools was established with that legislation, state funding on a per capita or per student basis remained measly until the late nineteenth century, when scientific findings became important in agriculture, mining, oil exploration, engineering, and other industries.

States tended to invest most heavily in training and research when they had a concentration of economic activity in a particular industry or product. This often took the form of research in the dominant industries of the state. Thus, Wisconsin subsidized work on dairy products, Iowa on corn, Colorado and other western states on mining, North Carolina on tobacco, and Oklahoma and Texas on oil exploration and refining. Many of the state schools established in the latter part of the nineteenth and early twentieth centuries were teaching, technical, and industrial institutes, among them the Lowell Textile Institute in Massachusetts, which opened in 1897.

In keeping with their history of private institutions, states in the Northeast were unique in blending public support with private control. Cornell University received the New York Morrill land grant funds and to this day contains several state-supported colleges within a privately controlled university. M.I.T. received the "mechanical arts" portion of the Massachusetts land grant. (The University of Massachusetts at Amherst received the agriculture portion.) In Connecticut, Yale University's Sheffield School of Engineering received one part of the state land grant and the University of Connecticut received the rest.

One result of the region's distinctive tradition of private institutions of higher education has been the impact on female enrollment. Public institutions tend to be more open to women in part because public institutions rely on taxpayer support and in part because private institutions were often founded by religious orders to train ministers.

In 1924, for example, the ratio of male to female students (excepting those in preparatory departments) in four-year institu-

STATES INVESTED MORE WHEN ECONOMIC ACTIVITY

tions was 2.58 in New England, 2.34 in the Middle Atlantic, but 1.45 in the West North Central, and 1.51 in the Pacific States. The New England and Middle Atlantic states, with their paucity of public institutions and their tradition of single-sex colleges, had a far lower fraction of women among all students. The New England states remained behind other states through the 1930s in this regard, although by the late 1950s this gap began to close.

PERSISTENCE OF CHANGE IN HIGHER EDUCATION (AND ITS IMPORTANCE FOR NEW ENGLAND)

New England was, by and large, blessed in having some of the earliest and strongest institutions of higher education. Its private colleges and universities have consistently been world-renowned. But the existence of such strong private institutions has meant far less financial support for public institutions, a po-

THEY HAD CONCENTRATED IN A PARTICULAR INDUSTRY

tentially worrisome condition that persists to this day. New England's state universities have relatively high tuition and receive less public spending per resident than in any other region. Tuition in four-year public universities in New England is 39 percent more than in the nation as a whole. As a result, access to higher education for those from low-income and middle-income families is more difficult in New England than in the rest of the country.

The greatness of New England's private institutions has acted as a double-edged sword. Institutions of higher education were instrumental in the region's transition from a "first industrial revolution" economy to its becoming the "Route 128" and "dot.com" economy. The universities of New England, by providing ideas and new technology for local firms, created new jobs for residents even as the region's population declined relative to that of the nation.

But while they may have spearheaded a new economy, they have also meant diminished access for the disadvantaged. New England states have not educationally equipped their lower-income residents to move to other areas, both geographic and economic. But only a few states have the best of both worlds of higher education.

Almost a century ago, the governor of the Commonwealth of Massachusetts appointed the Commission on Industrial and Technical Education to investigate how industry was helped or hindered by existing educational institutions. It concluded: "We know that the only assets of Massachusetts are its climate and its skilled labor." More than ever before, one of those claims is true. ✻

Claudia Goldin is Henry Lee Professor of Economics at Harvard University and a Research Associate of the National Bureau of Economic Research. Lawrence F. Katz is Professor of Economics at Harvard University and a Research Associate of the National Bureau of Economic Research.

By James B. Twitchell PHOTOGRAPHS BY KATHLEEN DOOHER

A (MILD) DEFENSE OF LUXU

It is only shallow people who do not judge the world by appearances. The mystery of the world is the visible, not the invisible.

OSCAR WILDE, *THE PICTURE OF DORIAN GRAY*

Human beings like things. We buy things. We exchange things. We steal things. We donate things. We live through things. We call these things "goods," as in "goods and services." We do not call them "bads." The still-going-strong Industrial Revolution produces more and more things not because production is what machines do, and not because of nasty capitalists, but because under it all we are powerfully attracted to the world of stuff. In Armani, on Rodeo Drive in Beverly Hills, customers pat the clothes, fondle the fabrics, touch the buttons. The Gap has its merchandise piled high on tables, expressly so that people can feel like guests at a feast. Department store windows, whether on the city street or inside a mall, did not appear magically. We enjoy looking through them to another world. Our love of things is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the cause of the Industrial Revolution, not the consequence.

If you want to understand material culture at the beginning of the twenty-first century, you must understand the overwhelming importance of unnecessary material. If you are looking for the one unambiguous result of modern capitalism, of the Industrial Revolution, and of marketing, here it is. In the way we live now, you are not what you make, you are what you consume. And, outside of that which is found on a few aisles in the grocery and hardware stores, most of what you consume is totally unnecessary, yet remarkably well-made.

The most interesting of those superfluous objects belong in a socially constructed and ever-shifting class called luxury. Consuming those objects, objects as rich in meaning as they are low in utility, causes lots of happiness and distress. As well it should. For one can make the argument that until all necessities are had by all, no one should have luxury.

And since the 1980s, the bulk consumers of luxury have not been the wealthy but the middle class, your next-door neighbors and their kids. Luxury spending in the United States has been growing more than four times as fast as overall spending, and the rest of the West is not far behind. One of the most startling aspects of seeing the refugees streaming from Kosovo was the number of adolescents dressed in Adidas, Nike, and Tommy Hilfiger clothing.

As rapidly as we are moving up to luxury, so luxury is moving down into hitherto common grounds. Just try having a normal cup of coffee. It's bad enough that Starbucks has colonized almost every street corner; just go into the 7-Eleven, the retail leader in fresh-brewed coffee-to-go. Now inching over from lattéland is French Roast, whole-bean gourmet coffee, served in a special vacuum container with a hand pump. It's only a matter of time before the QuikStop starts selling croissants and microbrewed beer.

Almost every set of consumables now has a dessert at the top. This is true not just for expensive products but also for everyday objects. Name the category, no matter how mundane, and you'll find a premium, or better yet, a super-premium brand. In bottled water, there is Evian, advertised as if it were champagne. Cape Cod Potato Chips have risen from the ranks of junk food to the status of gourmet treat, as have Dove Bars. Martha Stewart has a line of Silver Label goods at Kmart, including matelasse coverlets and shams — really, just bed covers — available in silk, linen, crushed velvet, Egyptian cotton sateens, and cashmere. In sneakers, it's Nike, and, well, you know the rest.

> *Name the product category, no matter how mundane, and you'll find a premium, or better yet, a super-premium brand.*

You could say that this is not real luxury, but an ersatz variety, and maybe you would be correct. My father would have argued that real luxury is characterized not by shine but by patina; its allure comes from inborn aesthetics, not from glitzy advertising; it is passed from generation to generation and cannot be bought at the mall; and its consumption is private, not conspicuous. His words for modern mass luxury would have included "gauche," "vulgar," "tasteless," and "offensive."

It may be true that the rich have the only two genuine luxury items left: time and high-end philanthropy. But the rest of us are having a go at their stuff, albeit a knockoff to be held only a short time. I can't own a limo, but I can rent one. If I can't fly on the Concorde, I can upgrade to first class with the miles I "earn" using my American Express card. I can lease a Lexus.

And high-end consumption promises to do exactly what critics of the stuff have always yearned for, namely, to bring us together. Others may pass judgment on this phenomenon, many may be horrified by the waste and redundancy, but it is why so many of us all over the world are becoming part of what, for lack of a better phrase, is a mass class of upscale consumption. We understand each other not by sharing religion, politics, or ideas. We share branded things and speak the Esperanto of advertising, *luxe populi*.

A TASTE FOR OPULENCE

If you want to appreciate the function of luxury in modern dream life, observe its function in Hollywood, the dream factory, in the 1990 hit movie *Pretty Woman*, starring Richard Gere and Julia Roberts. This self-conscious Hollywood confection of materialism plays out the high cult Pygmalion myth through the redemptive powers not of art but of consumption. Julia Roberts is made over — from prostitute to patrician — not by reshaping her interior form (the classical myth), or by tweaking the exterior form (*My Fair Lady*), but by buying and displaying branded stuff.

Generations ago, the market for luxury goods consisted of a few people who lived in majestic houses with a complement of servants. They ordered their trunks from Louis Vuitton, their


STARBUCKS
COFFEE

trousseaus from Christian Dior, their Dom Perignon by the case. Their taste, like their politics, was determined largely by considerations of safeguarding wealth and perpetuating the social conventions that affirmed their sense of superiority. They stayed put. We watched them from afar. We stayed put. They had money to burn; we had to buy coal.

The application of steam, and then electricity, to the engines of production brought a new market of status, an industrial market, one made up of people who essentially bought their way into a bloodline. These were the people who so disturbed Veblen, and from them this new generation of consumer has descended. First, the industrial rich, then the inherited rich, and now the incidentally rich, the accidentally rich, the Dow-10,000 rich. Although they can't afford an apartment on Park Avenue, they have enough disposable income to buy a Vuitton handbag (if not a trunk), a bottle of Dior perfume (if not a flacon).

In modern societies, shopping is a central self-creative act. You are what you consume and you get what you consume by shopping for it.

In traditional societies, affiliation with groups like family, church, job, and ancestry is crucial, but in modern societies like our own, everyone is cut loose. You are what you can get, and you get what you can get by shopping for it. Shopping is a central self-creative act. As Marcel Duchamp, sly observer of the changing scene, said, "Living is more a question of what one spends than what one makes." And, as in *Pretty Woman*, luxury brands perforce become one of the shoehorns that slide you up into designated spots.

Basil Englis and Michael Solomon, professors of marketing in the School of Business at Rutgers University, wanted to show how tightly college students cluster around this kind of brand knowledge. They drew samples from undergraduate business majors and presented them with 40 cards, each containing a description of different clusters of consumers.

The professors sifted the clusters to make four groups — lifestyles, if you will — representative of undergraduate society: Young Suburbia, Money & Brains, Small Town Downtown, and Middle America. They gathered images of objects from four product categories: automobiles, magazines and newspapers, toiletries, and alcoholic beverages. The students were asked to put the various images together into coherent groups and were also asked to state their current proximity to, or desire to be part of, each group in the future. As might be expected, Money & Brains was the most popular aspirational niche. But less expected was how specific and knowledgeable the students were about the possessions they did not have but knew that members of the cluster needed — and what they needed to shy away from. Becks not Budweiser; *GQ* not *Sports Illustrated*.

The insight into how commercial stuff fits together was first noted by a late-seventeenth-century essayist, Denis Diderot. In his "Regrets On Parting With My Old Dressing Gown," the French philosopher looks up from his desk and notices his study has been transformed by mysterious forces. It was once crowded, humble, chaotic, and happy. Now it is elegant, organized, and a little grim. What happened? Diderot suspects the cause of the transformation is right before his eyes. It is his new dressing gown. A week after he began to wear the gown, it occurred to him that his shabby desk was not quite up to standard. So he got a shiny new one. Then the tapestry on the wall seemed a little threadbare and new curtains had to be found. Gradually, the entire contents of the study were replaced. Not because he wanted a new study but because he needed a sense of coherence, a sense that nothing was out of place.

In modern marketing terminology, this is called creating a "consumption constellation." No matter what it's called, the pleasure and the pain remain the same. Achieving that sense of completeness is, in that linguistic barbarism, to create a "lifestyle," an emblematic display of coherent brands. Handbags, scarves, sunglasses, T-shirts, shoes, watches, and luggage are all items that can carry the freight of the label in such a way that it can be unloaded by viewers. Designer shops and brands facilitate the process. They help you buy a link into a chain of associations, a chain that also holds other people.

Consumers are often fully aware that they are more interested in consuming aura than objects, sizzle than steak, meaning than material. In fact, if you ask them, they are quite candid in explaining that the Nike swoosh, the Polo pony, the DKNY logo are what they are after. They are not duped. They actively seek and enjoy the status that surrounds the object, especially when they are young.

COMMUNICABLE CONSUMPTION

The desire for particular objects is not only part of creating a lifestyle, it is contagious, like the flu. That explains sellout

Christmas toys, like Pokemon or Cabbage Patch, why some movies cost more to market than to make, why some restaurants have long lines, and why mutual fund managers all piled into the same dot-com stocks.

In the 1980s, scientists did a series of experiments with ants. Two food sources were placed equidistant from, and on opposite sides of, a nest. The piles were kept equal in size, no matter how much the ants took from each. There was no reason for the ants to prefer one restaurant, so to speak, to the other. Economists would predict that the ants would split the piles evenly, waiting in equidistant lines. Instead, because ants can signal each other as to where food lies, the distribution fluctuated wildly, swinging all the way from an 80:20 ratio to 20:80.

The conclusion: Individuals are social animals who interact with and are influenced by the flock, the tribe, the in-crowd. As they say in advertising, you drink the advertising, not the beer; smoke the commercial, not the cigarette. So, too, in consuming the new luxury, you buy the trend, not the object. And how do you know the trend? You check what the other ants are doing.

Consumers are not duped. They are often fully aware that they are more interested in consuming aura than objects, sizzle than steak.

Such shared knowledge is the basis of culture. This insight was, after all, the rationale behind a liberal arts education. John Henry Newman and Matthew Arnold argued for state-supported education in the nineteenth century precisely because cultural literacy meant social cohesion. Not because it was important to know algebraic functions, or Latin etymologies, or what constitutes a sonnet to solve important social problems, but because it is the basis of how to speak to each other, how we develop a bond of shared history and commonality, our cultural capital. In our postmodern world, we have, it seems, exchanged knowledge of history and science for knowledge of products and how such products interlock to form coherent social patterns.

Even academic economists are not immune. Professor Robert Frank tells a story in his book, *Luxury Fever: Why Money Fails to Satisfy in an Era of Excess*. It seems a relative of his bought a red Porsche in France. When the relative returned to California, he found that the German car couldn't be retrofitted to meet the state's rigorous pollution regulations. He offered it to the professor at a fraction of its market value. Writes Frank, "I was sorely tempted. Yet, my small upstate college town has a strong, if usually unstated, social norm against conspicuous consumption. People here are far more likely to drive Volvos than Jaguars; and although ours is a cold climate, we almost never see anyone wearing a fur coat. At that time, a red Porsche convertible really would have been seen as an in-your-face car in a community like ours. Although I have never thought of myself as someone unusually sensitive to social pressure, I realized that unless I could put a sign on the car that explained how I happened to acquire it, I would never really feel comfortable driving it."

Professor Frank knows exactly what goods to buy and exactly what goods not to buy. He doesn't want to "keep up with the Joneses" or "ditch the Joneses." He wants to fit in with the Joneses. This is a social decision, not a moral, or even an economic one. He has decided *not* to define himself in terms of a red Porsche convertible. He wants what his consumption community wants.

It is now also clear why poverty is so debilitating. Not only do the poor miss out on creature comforts, but they also miss out on community meanings. If goods are what carry meaning in this world, then the poor are doubly disenfranchised: They don't have stuff, and they don't have the meanings or affiliations that stuff carries.

HOW LUXURY BECOMES NECESSITY: THE WORK OF ADVERTISING

Recently, I was invited to New York City to consult with an advertising agency. The company was assembling a video presentation on how well they understood selling luxury products. The agency was trying to convince its client, Volvo, that the agency could reposition an upscale version of the sensible Swedish car as a luxury product. Ford had recently bought Volvo and was trying to brand it as a luxury automobile, to move it from entrée to dessert.

My job, for which I was paid the equivalent of teaching many, many hours of Wordsworth, was to help them think about how to do it. Not how to compose the ad, but how to convince Ford/Volvo that language and image could make Volvo sumptuous. What I found interesting was that the agency people never seemed to question their ability to transform this pumpernickel of a car into a brioche, to make it a luxury object, an object of yearning, a badge of arrival.

Once production is tied to machines, advertising is not only possible — it's necessary. If your machine is just like mine, then what they produce will be essentially identical, interchangeable items. To separate them, I have to say that my soap, cigarette, or shoe is different from yours. I have to tell a story. As a producer, I make a claim of distinction, although common sense should tell the consumer it will be feckless. Whatever else advertising "does," one thing is certain: It adds meaning to objects, by branding things, by telling a story. Advertising is how we talk about these things, how we imagine them, how we know their value.

This is especially true with top-end products. The higher I go, the more irrational my claim will become. What really separates a Calvin Klein swath of denim from Donna Karan from Levi Straus is the brand. The object as object almost evaporates; the luxury brand remains. I am no longer selling the product, I am selling the concocted distinction, the story. In fact, what we crave may not be objects, but their meaning.

Advertising works not by outright manipulation, but by finding out how people already live; not by forcing consumers to accept material things against their "better judgment," but by getting in the path of that judgment; not by making new myth, but by making the product part of an existing one. The wise advertiser attempts to find out what it is that we are after first, and then fashions a campaign in which to position his product. Only a fool, soon to be bankrupt, attempts to change our patterns of desire. Advertising does not invent desire, nor does it satisfy desire; it expresses desire with the hope of exploiting it. Over and over and over.

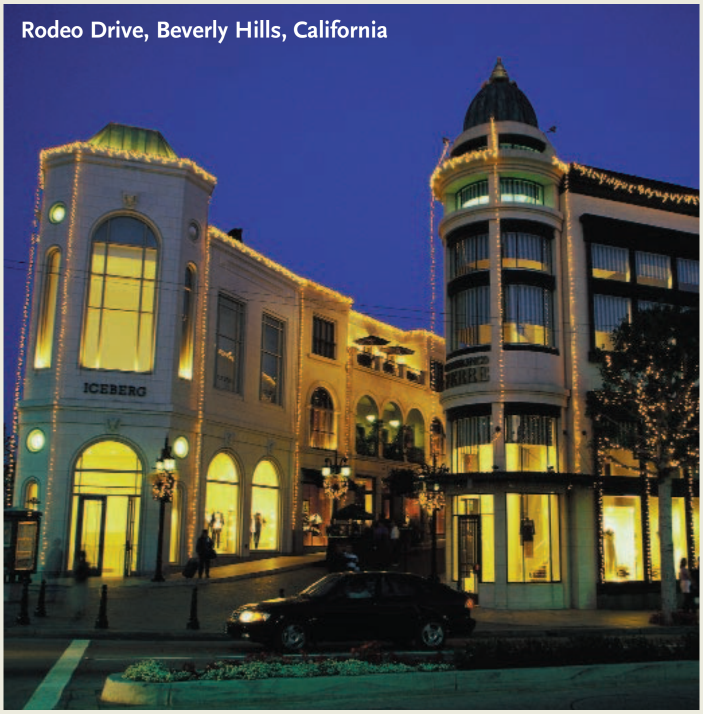
Let me illustrate the process with an almost totally ridiculous product: bottled and branded water. If we were rational, this product would not be taking over millions of feet of shelf space. In fact, in taste tests Manhattan water comes out in the top quartile for "good tasting water." Pepsi and Coke both have lines of bottled water, Aquafina and Dasani. All they do is take their water from municipal systems and add mineral additives at the local bottler. That's all they do — other than advertise. Pepsi, which got into the business first, tested Aquafina in Wichita, Kansas, and was amazed to find that customers were not at all upset that the water was local tap water, cleaned up in a bottling plant. Who cares about the source? Drinkers liked the name, the label, the bottle, and the advertising.

So if you want to separate your water, you do it not by taste, but by language and imagery. If you want to charge a premium for your product, and if your product is simply H_2O, then you have to make it into a luxury via language codes. You have to say it has value by *showing* it does. That is why we have a bartender pouring Evian as if it were the makings of a martini; a woman bathing in Evian as if it were a part of pampering the self (and not, one hopes, associating it with leftover bath water — perhaps that is why the bottles are still half-full). In each example, the association is made with luxury in hopes that the brand will be separated from the pack and moved up into the Land of Big Profit.

LET'S GO SHOPPING

In 1999, my daughter Liz, accompanied me on a research expedition to Rodeo Drive — where Julia Roberts did her shopping in *Pretty Woman.* Liz had some telling observations on the episode:

"The most interesting part of the experience was the incredibly seductive nature of the objects themselves. . . . Watching the woman in Armani try on the $20,000 beaded dress, I was momentarily entranced — and more than slightly jealous. The stuff was just so BEAUTIFUL; and when I looked down at my Old Navy sweater, I couldn't help but feel a bit wanting. . . . In the end, I wanted to leave Rodeo Drive for the same reason I often avoid fashion magazines, not because I don't care about such trivial stuff, but because I DO care. And when I look at these beautiful things, I'm left with an aching feeling of desire, and a slight dissatisfaction with my current life. Luxury is incredibly powerful, and it gets to almost all of us, even when we're told it's meaningless. Luxury 1, Liz 0."



Rodeo Drive, Beverly Hills, California

Now the tricky part is that consumers not only have to be willing to accept this association, but also to display their acceptance by buying the product. Holding Evian in your hand is like waving a wand. You are too special for tap water. This is the desire that marketing can exploit — but not create — by advertising. And if the campaign is successful, your willingness to parade your purchase makes you part of the process, part of the contagion that can push a product upmarket.

Or the reverse. Some years ago, the makers of Paco Rabanne cologne hired adman David Ogilvy, the man behind such brands as Rolls Royce ("at 60 miles an hour the loudest noise is the clock"). Ogilvy devised a brilliant pre-Yuppie campaign in which a young man is alone in the bed on the phone with his just-departed lady love. The copy read, "What is remembered is up to you." The ad was so powerful that in weeks the cologne was being used by used car salesmen. Just like that, the brand was ruined. The ad and the product went to the wrong audience.

In advertising luxury goods, the object as object almost disappears; the brand remains. I no longer sell the product, I sell the concocted distinction.

WHAT'S HAPPINESS GOT TO DO WITH IT?

Now, mind you, this has *nothing* to do with happiness. As Freud famously said of consuming psychotherapy, high-end consumption will not make you happier, only less anxious. Numerous studies show that as society grows richer over time, the average level of happiness — as measured by the percentage of people who rate themselves "happy" or "very happy" in national surveys — doesn't budge. In fact, sometimes it falls.

Economists have known this for a while. In a 1973 article titled, "Is Growth Obsolete?" Yale economists William Nordhaus and James Tobin pointed out that increasing GDP doesn't account for such important factors as leisure, household labor, pollution, and traffic jams. In many categories, quality of life may even decline as high-end consumption increases.

On the heels of this study, Richard Easterlin, an economic historian at the University of Southern California, looked at a number of surveys over the years and found no clear trend in Americans' reported "happiness." Average happiness rose from the 1940s to the late 1950s, then gradually sank again up to the early 1970s, even as personal income grew sharply. Returning to the subject a few years ago, Easterlin cited an annual U.S. survey that showed no upward trend in the percentage of Americans saying they were "very happy" from 1972 to 1991 — even though per capita income, adjusted for inflation and taxes, rose by one-third.

Even when you move away from material consumption as an index, contradictions remain. Indicators from quality-of-life groups like Redefining Progress or from lobbying groups like Sustainable Seattle or Livable Tucson from individual cities show that happiness may be beside the point. Some groups highlight legal fees, medical bills, divorce rates, affordable housing, and levels of trust. Others foreground SAT scores, charitable giving, clean-air days, or computing time. But no matter how you slice it, if a group makes an index, the one thing it is sure to show is that there is no correlation between affluence and what they consider happiness. And the disconnect exists across cultures. During the so-called "Asian miracle" from the late 1950s to the late 1980s, real per capita income in Japan soared nearly fivefold, yet average levels of reported satisfaction didn't change an iota.

Is consumption a treadmill going nowhere? Perhaps. But at least the treadmill gets more comfortable and more people have more access. In *Pursuing Happiness: American Consumers in the Twentieth Century*, Professor Stanley Lebergott argued that while consumption by the rich has remained relatively steady over the century, the rest of us have had a good go of it. Most Americans walked to work at the start of the century, but by 1990 nearly 90 percent of families had a car. By 1987, all households had one-time luxuries: a refrigerator and a radio. Nearly all had a TV and about three-quarters had a washing machine. Per capita spending on food rose by over three-quarters between 1900 and 1990, with a marked increase in meat consumption. "Wants" became "necessities" because, ironically, the pushing and shoving of other consumers was lowering the price. Your consumption of luxury has made life easier for me.

Professor Lebergott poses a simple question: Would you want to return to 1900? Before you answer you might watch the recent BBC/PBS show called, "1900 House," in which a modern family tried living like their grandparents and found it was hard, very hard indeed. The idea that it was easy is one of our most cherished luxuries. While being on the treadmill may not provide happiness, not being on the treadmill almost certainly guarantees unhappiness. And discomfort. The problem is not how to get some people off the treadmill, but how to get more people on.


evian
Natural Spring Water
from the French Alps

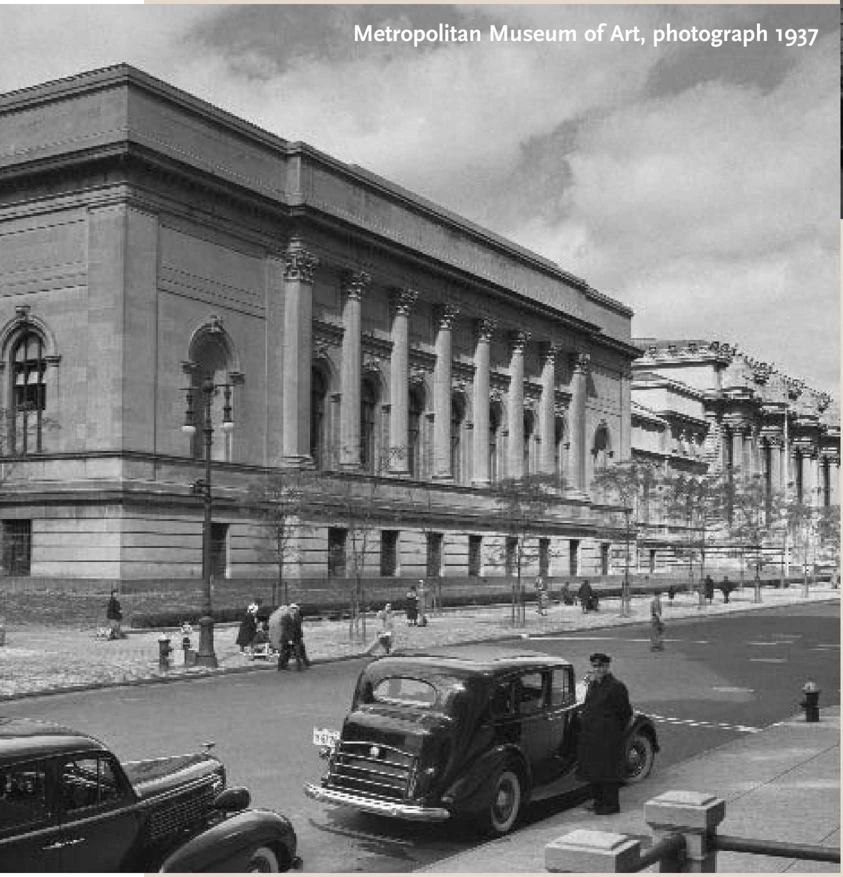
THE DISAPPEARANCE OF LUXURY?

As so many luxuries become necessities, and the differences between top-of-the-line luxury items and many mid-range objects almost cease to be observable, the concept of luxury is being drained of meaning. And since meaning is at the center of why we consume luxury goods, some observers of the cultural scene have suggested that public displays of luxury may lose their usefulness in communicating and eventually fade away.

Adam Gopnik, staff writer for *The New Yorker*, divides the twentieth century into distinct styles of public display, which he illustrates by looking at the architecture of art museums. The first stage is pure showoff. Gopnik points to the 1902 Metropolitan Museum of Art, in New York City, as an apt example of look-at-me consumption that makes an unambiguous statement: This is industrial-strength wealth. Next, a form of counterdisplay sets in. The 1932 Museum of Modern Art is restrained and almost embarrassed; that the Rockefellers, who footed the bill, were reviled is not happenstance. This is a kind of redemptive luxury: payback for the sins of the father.

Starting in the 1950s, *counter*-counterdisplay is the mode, and Frank Lloyd Wright's 1959 Guggenheim is the perfect monument. The Frank Gehry-Thomas Krens Guggenheim in Bilbao, Spain brings us up to date. Here, we have the perfect embodiment of symbolic consumption and sincere extravagance, but we now have to go outside America to see it.

Museum of Modern Art, photograph 1932



Metropolitan Museum of Art, photograph 1937

Gopnik's tongue may be in his cheek, but his eye is prescient. Luxury is being removed from the world around us because the only thing out of American reach is the world *outside* America. He points to Sandy Pittman's ultimate leisure-class Mount Everest expedition as the fitting individual analogy. Ms. Pittman had no business on that mountain, and that's just the point. It was elaborate, expensive, dangerous to everyone, and undertaken as an exercise in self-indulgence for all to see. She was, in fact, broadcasting her exploits via cell phone and the Internet. That she almost loses her life, and that others were not so lucky, is exactly the point. This is real serious luxury, not symbolic, but strangely invidious.

CONCLUSION

"What's great about this country is that America started the tradition where the richest consumers buy essentially the same things as the poorest." — Andy Warhol, From A to B and Back Again

Who but fools and hacks have ever come to the defense of modern American luxury? No one, not even the consumers of the stuff, ever *really* defends it. And why should they? The irrationality of overvaluing certain logos, wines, appliances, zip codes, T-shirts, hotel rooms, and the like is insulting to our intelligence. At one level, this kind of luxury is indefensible. The "good life" seems so blatantly unnecessary, especially when millions around the globe are living without the bare necessities. After all, it's just cake. Empty calories.

That is why poverty is so debilitating. Not only do the poor miss out on creature comforts, but they also miss out on community meanings.

Yet, the consumption of high-end goods is rarely impulsive, emotional, or extravagant. Instead, it may more often be thoughtful, clever, and sensible. Modern luxury is insurance against misunderstanding, a momentary stay against panic and confusion. If you can't tell where you are in life by consulting the Social Register, then check your car nameplate, your zip code, the amount of stainless steel wrapped around your barbecue.

That such "peace of mind" can be bought may seem shallow until you realize that the transformation is dependent *only* on money, a far more equitable currency than the capriciousness of ancestry and the whimsy of gender and birth order. Given a choice between a culture in which birth decides social place or one in which market whimsy decides, I think I prefer the latter.

Yes, luxury is a one-dimensional status and hierarchy marker. Yes, pecuniary emulation is still key for shallow social distinctions and contrived position. And, yes, such positional power is transitory. But it is also strangely democratic and unifying. The Global Village is not quite the City on the Hill, not quite the Emerald City, and certainly not quite what Millennial Utopians had in mind, but it is closer to equitable distribution of rank than any other system man has developed.

In *A Nation of Salesmen*, Earl Shorris, reformed ad man and now contributing editor of *Harper's*, bemoans the fact that commercialism has drained humanity of its get-up-and-go. "It may be a lack of imagination on my part, but I cannot conceive of a great host of people trudging across all of Europe, willing to fight and die in a crusade on behalf of the videocassette player. Nor does it seem likely to me that anyone would be willing to die on the cross for the suits of Giorgio Armani or the scents of Chanel." Yet, perhaps mindless materialism is not so bad. Robust economies have given prospective foot soldiers something better to do — namely, go shopping.

But is it fair? Do some of us suffer inordinately for the excesses of others? What are we going to do when all this stuff we have shopped for becomes junk? What about the environment? Is there a connection between the accumulation of luxury and America's high rates of murder, violent crime, divorce, and obesity? What are we going to do about the portion of our population that seems mired in poverty?

We have been in this lap of luxury a short time, and it is an often scary and melancholy place. Ours is a world driven not by the caprices of the rich, as was the first Gilded Age, nor by marketers, although they contribute, to be sure. Our world is primarily driven by the often crafty and seemingly irrational desires of the mass class of consumers, many of them young. A Fendi purse, or a Lexus automobile, or a weekend at the Bellagio may be better understood by more people than the plight of the homeless, a Keats ode, or the desecration of the rain forest. Whatever else, the mass-mediated and mass-marketed world of the increasingly powerful Industrial Revolution is drawing us ever closer together. The act of wanting what we don't need is doing the work of generations of idealists.

Getting and spending have been the most passionate, and often the most imaginative, endeavors of modern life. We have done more than acknowledge that the good life starts with the material life, as the Ancients did. We have made consuming stuff, most of it unnecessary, the dominant prerequisite of organized society. This is dreary and depressing to some, as doubtless it should be. But one should not forget that the often vulgar, sensational, immediate, trashy, wasteful, equitable, sometimes transcendent, and unifying force of consuming is liberating and democratic to many more. ❊

JAMES B. TWITCHELL IS PROFESSOR OF ENGLISH AND ADVERTISING AT THE UNIVERSITY OF FLORIDA. HIS BOOK, *LIVING IT UP: OUR LOVE AFFAIR WITH LUXURY*, WILL BE PUBLISHED BY COLUMBIA UNIVERSITY PRESS IN MARCH 2002.

THE GEO

CAN A NEIGHBORHOOD AFFECT THE SUCCESS OF ITS RESIDENTS? BY MIRIAM WASSERMAN

IN 1966, DOROTHY GAUTREAUX, a civil-rights activist and a resident of the Altgeld-Murray Homes on the far South Side of Chicago, lent her name to a class-action suit that marked the beginning of an extraordinary social experiment. As a result of the lawsuit, an innovative program

GRAPHY OF LIFE'S CHANCES

was created to help low-income African-American families move from deteriorating public housing complexes to more affluent, predominantly white suburbs in the Chicago metropolitan area. The relocation dramatically changed their lives — in some cases in unexpected ways.

Beyond attaining a much better living environment, many of the families who moved saw marked improvements in areas ranging from employment to health and education. These results raised critical questions about the way in which neighborhoods determine the opportunities available to their residents. They also brought to light some of the potential disadvantages of low-income housing policies that tend to cluster low-income families in large, concentrated projects. The evidence

ILLUSTRATIONS BY ORESTE ZEVOLA

agreement to create a program to assist 7,100 families in securing housing in the private market through the use of housing vouchers. The program had the explicit goal of dispersing at least three-quarters of the families into areas with less than 30 percent minority residents. Until its completion in 1998, Gautreaux was managed by the Leadership Council for Metropolitan Open Communities in Chicago, a nonprofit housing agency created as a result of the Chicago Freedom Movement's open housing marches led by Dr. Martin Luther King.

In the beginning, many of the potential participants in the program were skeptical about the idea of moving to mostly white, middle-class suburbs. "Are you crazy?" was the response some of the program administrators heard, write sociologists Leonard Rubinowitz and James Rosenbaum in *Crossing the Class and Color Lines: From Public Housing to White Suburbia*. Many of the movers were to be "racial pioneers," perhaps the first African-American family in the new neighborhood, and thus they feared discrimination and harassment. Moreover, the eligible families differed from their new neighbors not just in their race. The assisted families came from very low-income backgrounds, and the suburban neighborhoods in which many were placed were middle-income areas. In addition, the vast majority were single-parent families headed by women with a lower average level of education than was the norm in the destination suburban neighborhoods.

Soon after the program began, however, the initial skepticism was overcome and demand rose to almost unmanageable levels. The Leadership Council was forced to limit registration for the program to a one-day telethon each year. By the early 1990s, the organization was receiving an estimated 10,000 calls on registration day.

Not all families that managed to apply were selected to participate. Families with more than four children were ineligible because large apartments were scarce in the suburbs. The Leadership Council also checked that families had good credit and rental records, and had counselors visit applicants' homes to eliminate families whose homes showed significant property damage, in order to ensure the success of the program with landlords. Rosenbaum estimates that these three criteria probably eliminated about one-third of applicants. In addition, some

WHEN LOW-INCOME FAMILIES MOVED FROM CHICAGO'S PUBLIC HOUSING TO THE SUBURBS, IT RADICALLY CHANGED THEIR LIVES IN UNEXPECTED WAYS

from the experiences of the Gautreaux families was provocative enough to inspire the U.S. Department of Housing and Urban Development (HUD) to design and implement similar programs during the early 1990s in five U.S. cities, including Boston and Los Angeles.

Today, economists and sociologists are still trying to figure out how people's life chances are affected by where they live. The Gautreaux program, and the new research that it has inspired, are providing us with interesting clues.

THE GAUTREAUX EXPERIMENT

The Gautreaux program was not designed to be an experiment, but rather as a way to address racial segregation in Chicago's public housing. It was the outcome of a lawsuit in which the plaintiffs alleged that the Chicago Housing Authority, with the approval of HUD, located public housing complexes in mostly African-American neighborhoods and employed separate waiting lists for African-American and white tenants — placing them in neighborhoods according to their race.

The case against HUD, which went all the way to the U.S. Supreme Court, was finally resolved in 1976 in favor of the residents. Rather than continue with court proceedings, the lawyers for the housing residents and HUD negotiated an of the families selected to participate decided they didn't want to leave the city after all, and others were unable to do so because they could not secure appropriate housing in the time allotted. All in all, only about 20 percent of the families that were found to be eligible ended up moving, according to Rubinowitz and Rosenbaum.

Once admitted into the program, families became eligible for Section 8 housing certificates or vouchers, which provide rent subsidies to live in private housing, making up the difference between the market rent and a specified percentage of the tenant's income. In addition, Gautreaux families received extensive help in finding housing that met the program's specifications. Leadership Council staff were dedicated full-time to recruiting landlords for the program. Placement counselors notified families when apartments became available, advised them on the benefits of the move, and took them to visit the apartments. Once the families moved, they were subject to the general rules for Section 8 subsidies. This meant that they could continue to receive subsidies so long as they continued to qualify for the program (which provided for five-year renewable contracts with landlords).

Where a family ended up initially was to some extent a matter of chance, depending on where apartments became available when its turn came. Though over half of the families moved to largely white suburbs, some families moved within the city of Chicago to areas that had large minority populations and low average incomes. This fortuitous outcome allowed scientists to study how apparently similar families fared in very different neighborhoods: the city versus the suburbs.

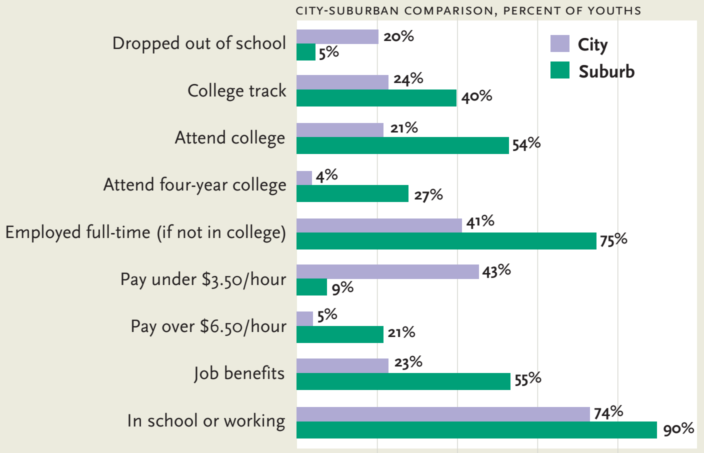
All families that moved, whether it was to the city or the suburbs, experienced an immediate improvement in the quality of their housing and the safety of their neighborhood — though the improvement was greater for the suburban movers. These changes were important, given that crime was a constant concern for the families. Many of the mothers felt unsafe in the nearby streets and the elevators and stairwells of the public housing complexes. But beyond that, the experiences of those who moved to the suburbs differed greatly from those who moved within the city. In the suburbs, many experienced incidents of exclusion and harassment to varying degrees. Rubinowitz and Rosenbaum recount, for instance, how a school bus driver made African-American students sit in the back of the bus. Some incidents even made it to the media. The *Chicago Tribune* reported on the racial tensions that erupted in one community when a white teenager and an African-American Gautreaux teenager became friends. Still, relationships with neighbors were complex. Rubinowitz and Rosenbaum found that even as they had negative experiences, the families that had moved to the suburbs also reported more interaction with their neighbors when it came to things like sharing meals, babysitting, or visiting than did the families that moved within the city. Three-quarters of the suburban movers considered they had at least one friendly neighbor, and harassment declined over time: After four to six years, there was no significant difference in reports of harassment between suburban and city families.

Though some clear costs were associated with moving to the suburbs, Rosenbaum and colleagues found that the families who settled there fared significantly better than those that ended up in the city. The mothers who moved to the suburbs, for instance, were more likely to be employed than those who moved to the city — even though employment rates declined slightly for both groups after the move. Similarly, while there was no difference between families in their participation in Aid to Families with Dependent Children (AFDC) when the program began, the researchers found that families assigned to neighborhoods with more educated residents were much less likely to be on AFDC by 1989.

But the biggest benefits and the most life-changing impacts seemed to accrue to the children. The researchers interviewed a small group of families in 1982 when they had been in the program 32 months on average and then revisited them in 1989 when the children averaged 18 years of age. They found that, compared to the kids who moved to city neighborhoods, the kids who moved to the suburbs were much less likely to drop

Youth education and job outcomes in Gautreaux

Researchers found no change in students' grades after they moved to a suburban area, but found other significant improvements such as lower dropout rates, more frequent college enrollment, and higher pay.



SOURCE: Leonard Rubinowitz and James Rosenbaum, *Crossing the Class and Color Lines*, University of Chicago Press, 2000.

United States between 1970 and 1990, according to University of Texas Professor Paul Jargowsky.

In theory, there are many possible ways in which neighborhood conditions can contribute to specific problems. The quality of local services such as schools and medical care can affect the probabilities that a young person will grow up to lead a healthy and productive life. Similarly, people who live in high-crime neighborhoods are more likely to be victimized or injured. A high-crime environment can potentially traumatize children, lead them to crime, or reduce families' opportunities if, in order to protect themselves, families feel that they need to lock themselves in at home and withdraw from public spaces.

A neighborhood's location or relative isolation may also affect the employment opportunities available to its residents. Researchers have argued that as people increasingly moved to the suburbs, so too did jobs. This can create a "location mismatch" between workers who are poor and can't afford to move from inner cities and the

LIVING IN SAFER NEIGHBORHOODS MAY OPEN NEW DOORS FOR PARENTS WHO NEED TO DEVOTE LESS TIME AND ENERGY TO PROTECTING THEIR FAMILIES

out of school, more likely to register in college-track courses, attend college, and enroll in four-year colleges (see the chart). Even those who were not in college seemed to benefit, as they were much more likely to be employed full-time in jobs that paid higher wages and also included some job benefits.

NEIGHBORHOOD EFFECTS

Was it the neighborhood they moved to that determined the very different results for Gautreaux families?

It is well known that unemployment, welfare dependence, teenage childbearing, and the chances of dropping out of high school, among other problems, are more pronounced in some neighborhoods than others. This is not surprising, given that they are closely associated with poverty. And, of course, the public housing many Gautreaux families moved from requires that tenants have low incomes and thus artificially congregates people with greater likelihood of having these outcomes.

But, might the neighborhood itself have something to do with it? Can living in an area of concentrated poverty reduce a person's possibility of success? This is a difficult question to answer — and it has become increasingly important, as the number of people living in census tracts with poverty rates of 40 percent or more nearly doubled from four to eight million in the

suburban jobs that they can't reach because of lack of transportation. Indeed, economists Kathy O'Regan and John Quigley found that physical access to jobs was important in determining youth employment in some New Jersey cities — especially for minority teenagers.

In addition, neighborhoods might also help determine residents' opportunities through the type and variety of social contacts available. Children's expectations and ambitions may be shaped in part by the adults who surround them. Growing up in areas with high unemployment, where relatively few adults have been successful in finding and retaining good jobs, could lead children to feel that there is no reward to working.

Likewise, the attitudes and behaviors of other young people they interact with may affect their options. Peers can potentially influence adolescents in making very different life choices, such as joining a gang or applying to college. Indeed, when they studied adolescents from high-poverty neighborhoods in Boston, economists Lawrence Katz and Ann Case found that youths living within a few blocks of each other had a significant impact on each other's behavior. A higher involvement of neighboring youths in crime, gangs, or drug and alcohol use increased a teenager's probability of participating in similar activities — independent of their family background and personal characteristics. (The same was true for church attendance: A teenager was more likely to go to church if neighboring youths attended church regularly.)

Adults may also find their opportunities diminished, not so much because of the effects that social interactions might have on their attitudes and values but, rather, through the support they receive from others. Someone who has been to college or found employment might provide advice, guidance, and assistance to others who would like to pursue a similar path. And where you live can also provide access to social networks that can open doors to jobs, since research shows that a lot of job finding is via word of mouth.

While these theories may all be plausible, social scientists have experienced great difficulty measuring neighborhood effects. In part, this is because the effects themselves are hard to isolate. The different ways that neighborhoods may affect their residents' lives need not be mutually exclusive. In fact, all channels of influence may be operating at the same time, reinforcing each other or interacting in complicated ways. It may also be that a neighborhood attribute only affects residents after a certain level is reached. So, for instance, crime in a neighborhood would not have broader consequences until after a certain threshold is passed.

Personal or family characteristics could potentially have a bearing on how much neighborhood attributes matter. The extent to which any of these factors can affect an individual would likely depend on whether that person has sources of support or resources that extend beyond their neighborhood, say researchers Ingrid Gould Ellen and Margery Austin Turner. A broader social network may compensate for what the neighborhood lacks, and a higher income may allow a family to avoid the negative consequences of poor-quality schools by sending the children to private school. Moreover, a neighborhood's influence could depend on an individual's personality. Being in a "good" neighborhood need not always be positive. It could be that being surrounded by a more affluent environment leads a child or an adult from an underprivileged family to feel weak as a competitor and become discouraged and disengaged.

But the biggest problem for researchers has been proving definitively that neighborhood effects exist. It is very difficult to differentiate the outcomes that result from neighborhood attributes from personal and family characteristics. For the most part, people and families do not end up in random neighborhoods. Income, race, and education often play a role in where people live. Thus, it is difficult to distinguish the extent to which unemployment or dropping out of high school is a result of living in a particular neighborhood or, instead, of the personal or family characteristics that led the individuals to be in those neighborhoods in the first place. So, for instance, if parents invest in living in a place with good schools, are their child's good grades the result of the school? Are they the result of the high importance the parents place on education? Or both?

Because Gautreaux placed families in neighborhoods randomly, the program seemed to provide an experiment to test the effect of neighborhoods independently of families' characteristics. The overwhelmingly positive results that James Rosenbaum and his colleagues found in their study of Gautreaux families over time appeared to bolster the claims that neighborhoods were important and inspired similar policies in other cities.

But Gautreaux was not designed to be an experiment. Because of the way families were selected, it is likely that those most prone to fail were eliminated from the program. Moreover, researchers were only able to study a small sample of all families. And, when the Gautreaux families were interviewed for the second time in 1989, they were able to find only about 60 percent of the original families (68 out of 114 for the suburbs and 29 out of 48 for the city movers — ten "comparable" families were added to the city sample to make 39). This means that the results could have been biased if, for instance, the sociologists were only able to find those families that had managed to "survive" in the suburbs and, thus, were different from other families in terms of their resolve and endurance. Still, Rosenbaum believes that even if this were true, it would not eliminate the suburban advantage. And it is difficult to know whether the results were in fact biased — it is also possible that families did *so* well that they no longer required public help and that was why researchers were unable to find them.

As far as housing policy is concerned, the recommendations that stem from Gautreaux are also unclear. If the program selected the most motivated and capable people for the move, then we don't know if such a program would have an impact on just any individual. On the other hand, if especially motivated people would not have been able to achieve success without the program's help, this may be enough justification for instituting similar policies. Still, whether or not such programs are good for society is a different question. We don't know whether the original neighborhoods were harmed by having more motivated people move out, or whether their new neighbors suffered any negative consequences.

MOVING TO OPPORTUNITY

In order to reach more conclusive answers to the questions raised by Gautreaux, HUD designed a program called Moving to Opportunity (MTO) that is being implemented in Baltimore, Boston, Chicago, Los Angeles, and New York. Unlike Gautreaux, the program does not move people according to race, but rather according to income. Public or assisted housing residents in these five cities were offered the opportunity to receive rent subsidies. Families that applied to the program were assigned by lottery into one of three groups. One received Section 8 housing vouchers that could only be used to move to private market housing in neighborhoods with poverty rates be-

four years for most of the evaluations (compared to an average of almost ten for Gautreaux), the short-term effects on the families seem to support the notion that neighborhoods do indeed matter. But the picture that is emerging is not quite what researchers expected.

Based on the legacy of Gautreaux, researchers were very interested in studying differences in the mothers' employment and welfare dependence. At this early stage, however, there is no clear evidence that moving to a more affluent neighborhood increases a family's economic self-sufficiency. It was not that families failed to experience any improvement. On the contrary, a study of families in the Boston MTO program, for instance, saw tremendous gains: The employment rate rose from 29 to 49 percent and welfare receipt fell from 73 to 40 percent in the four years between 1994 and 1998, according to economists Lawrence Katz, Jeffrey Kling, and Jeffrey Liebman. But the improvements were equivalent for all the groups — regardless of

WITH TIME, THE RELATIONSHIPS AND TIES FAMILIES DEVELOP IN THEIR NEW NEIGHBORHOODS MAY HELP SHAPE THE LONG-TERM EFFECTS OF THEIR MOVE

low 10 percent. They were also given special counseling and assistance in finding apartments. A second group received regular Section 8 vouchers that allowed them to move to private market housing without restrictions on the type of neighborhood. The third group did not receive vouchers to move to private market housing but was allowed to continue in public housing. Researchers hope to be able to compare the outcomes of these families and be able to separate the influence of the neighborhoods. The program was implemented between 1994 and 1998, and HUD plans to track the families for about a decade.

A lower percentage of the families that were required to move to low-poverty neighborhoods managed to move — perhaps because this requirement made finding housing more difficult. But the type of assistance they were given did make a difference in where families moved. The largest share of those who were required to move to low-poverty neighborhoods moved to areas that had a poverty rate under 10 percent. In contrast, only about 10 percent of the families that were given vouchers without restrictions moved to such neighborhoods, while the vast majority ended up in areas with poverty rates between 10 and 40 percent. Those who were not provided with moving vouchers were living in areas with poverty rates over 40 percent.

Although they had been in their new neighborhoods less than

whether or not they moved or the type of neighborhood to which they moved. There were some slight differences among the groups in a few of the other cities. In New York, for example, mothers who were unemployed and received vouchers to move were about 10 percent more likely to be employed after two years than the mothers who were not given moving assistance. And, in Baltimore, researchers found that the opportunity to move to a more affluent neighborhood reduced welfare use by about 6 percentage points on average. But overall, it seemed that broader forces, such as welfare reform and the tightness of local labor markets, had a greater influence on the outcomes than residential location, says Liebman.

On the other hand, researchers at the various cities found large and significant effects on the safety and health of the families. In Boston, families who received assistance to move to more affluent neighborhoods were significantly less likely to have heard gunfire, or to have seen people using or selling drugs, and their children were less likely to have been victims of personal crimes or to have seen someone with a weapon. Moreover, the children were significantly less likely to need medical attention for injuries caused by falls, fights, and accidents with needles or glass, among other nonsport-related reasons. And they were also less likely to have to visit a doctor because of an asthma attack. Boys showed significant decreases in problem behaviors such as disobeying parents and teachers, hanging around troublemakers, and bullying others. Not surprisingly, parents reported feeling significantly calmer and "more peaceful."

Families who were given vouchers but not required to move to more affluent areas also saw some gains in their safety but, with the exception of a reduction in property crime, the improvement was smaller. The children did not experience significant improvements in their physical health. But the problem behaviors among boys did decrease and parents also reported feeling calmer and more peaceful relative to those who were not given moving assistance.

Aside from leading to an immediate increase in the families' quality of life, such effects could lead to other improvements down the road. Freed from the fear of crime, mothers may be able to access a whole range of opportunities, note Katz, Kling, and Liebman. Mothers in the Boston MTO program told the economists how prior to enrolling in MTO they organized their whole day around keeping the children safe. Shelly Brown (not her real name), for instance, described how she happened to leave her kids alone in her old neighborhood one Sunday and when she came back the police were everywhere. "I couldn't jump the van fast enough to see if my kids were OK. They had my car taped out and everything. They had a shootout next door... I said to my kids, 'You're not staying home by yourselves no more.'"

Ms. Brown's experience was not unique. One-quarter of the parents said that, prior to moving, someone who lived with them had been assaulted, beaten, stabbed, or shot within the previous six months. The majority of parents who signed up for MTO said their main reason for moving was to get away from drugs and gangs. In order to protect the children from violence, mothers would rarely let them stray from sight. "Watching their children always took precedence over attending English or GED classes, job training, or job search," report Katz, Kling, and Liebman. Although there is no evidence of this yet, perhaps mothers will be more likely to participate in these other activities in the future. Ms. Brown, for one, told the researchers that after the move she is considering searching for a full-time job when her youngest enters the ninth grade.

There is some evidence that moving is also altering children's long-term prospects, at least for the younger ones. Economists Jens Ludwig, Helen Ladd, and Greg Duncan studied the reading and math test scores for children in the Baltimore MTO program. They found that children whose families received vouchers to move to more affluent areas were nearly 18 percentage points more likely to pass a standardized Maryland reading test and had significantly higher reading and math scores than the children whose families were not offered subsidies to move. The results for the older children were less positive. The researchers had less information available and were unable to find significant differences in the test scores of children who were 12 and older when their families signed up for MTO. However, they found that these children were more likely to be held back grades than the children whose families were not given moving assistance. Why this happened is not clear. The move could have negatively affected the older children, the standards at the new schools may have been higher, or teachers could have been prejudiced against program children, among other potential reasons.

On the other hand, additional research following the Baltimore teenagers found significant reductions (on the order of 30 to 50 percent) in arrests for violent crimes among those who were offered the opportunity to move. And the reduction was larger for teens who moved to low-poverty neighborhoods. Interestingly, Ludwig and his colleagues found that the mothers of children with higher pre-program arrest rates were more likely to move when given the offer. This means that prior studies might have been understating the gains from moving to less poor areas, says economist Jens Ludwig.

UNANSWERED QUESTIONS

It is still too early to tell whether moving to more affluent neighborhoods will improve the education and employment opportunities of MTO parents and their children. And we still don't know what other long-term effects of moving might be for the parents and children participating in the program. But there seems to be clear evidence that neighborhoods can have quite dramatic impacts in the short term on the health, safety, and well-being of residents. Although families experienced costs in terms of adjusting to their new environments, the balance seemed to be overwhelmingly positive for them. At the very least, the families that managed to move out of concentrated poverty through the Gautreaux and MTO programs were able to improve their living conditions in ways that mattered to them. And, the evidence from MTO shows that very few of the families would have moved if there hadn't been a program to help them, and fewer still would have moved to more affluent areas.

Though the studies seem to indicate that neighborhoods do matter, we still know fairly little about the specific ways in which they affect people's lives. A clearer idea of the different mechanisms would give us a better sense of which policies to promote: whether, for instance, to invest in improving the quality of services such as schools, health centers, and law enforcement in high-poverty neighborhoods (and how to do this most effectively), or, whether the effects of being exposed to different role models and peers are so strong as to give good reason for other types of programs that try to change the mix of people who live together. The answers will not come easily, but the questions are important. They go to the heart of equal access to opportunity and the very fabric of American society. ❊

letter from
Providence, Rhode Island

By Carrie Conaway § "There's no more beautiful setting for a gondola than Providence." So proclaims Marco, the proprietor (with his wife Cynthia Days) of one of the nation's few gondola tour businesses. He may be a bit partial — but he may also be right. The Woonasquatucket and Moshasseck Rivers join at Washington Street in the heart of the city to form the Providence River. Seven bridges, no two alike, ford the three narrow rivers. Pedestrians can walk along the water and under the bridges on warmly lit granite cobblestone sidewalks, taking in views of the Rhode Island State House, the Rhode Island School of Design, Waterplace Park, and the gleaming new Providence Place mall. Boats are welcome; in fact, many details along the waterways, such as the brass medallions on the College Street bridge and the high-water marks from past floods, are only visible from the water. Watercraft compete for space with ducks, cormorants, and two pairs of swans. Automobiles are hardly noticed, since they pass by up to 20 feet above the water level.

The narrow width of the rivers and the lack of automobile traffic evoke the famous canals of the gondola's birthplace. "It's not a copy of Venice, but it's reminiscent of it," says Marco. "We want to do things as authentically as we can." The couple hired a Massachusetts boat builder to make their first gondola with 100-year-old specifications, at a cost of over $30,000; it is believed to be the first authentic Venetian gondola built in the United States. They imported the second directly from Venice only a few months after launching their business, when they discovered demand for rides was higher than expected. The American-built boat is slightly wider —

Marco readies the boats for the day's tours.

Venetian gondolas have been narrowed in recent years to accommodate motorboats in the canals — but otherwise they are nearly identical. Both are black, as mandated by a Venetian law from 1562, and seat up to six passengers. They have an almost regal appearance with their red cording and pom-poms, removable red upholstered seats, and colorful tapestry-like carpets. Together they have over 500 feet of brass trim secured by 1,200 screws, every piece of which Marco carefully removes and individually cleans during the off-season.

Stretching to 36 feet in length and weighing 1,500 pounds, gondolas are challenging to maneuver. They are flat-bottomed, lack a keel for balance, and are steered with a single 14-foot oar used on only one side of the boat. Rivers are particularly difficult to navigate because the gondolier must sometimes row against the tide and the current. Marco worked with a Venetian gondolier for several months to develop his rowing skills. But watching him in action, you'd never know he doesn't have Venice in his blood. Wearing the traditional navy blue and white striped shirt, black pants, and straw hat, he guides the gondola through the river with barely a sound, never lifting the oar out of the water. He can turn the boat in circles or keep it completely still against the current. He also sings on request, though ironically, this is the least authentic part of the experience. Despite popular belief, Venetian gondoliers rarely sing.

All this would have been impossible less than a decade ago. Back then, the city's three rivers were completely covered by the massive Crawford Street Bridge. The original bridge was built in the 1890s, and it was expanded progressively over the next 30 years to provide more space downtown for roads, trolleys, and parking. By 1930, the rivers lay hidden under the world's widest bridge — a slab of concrete 1,147 feet wide, barely recognizable as anything other than a roadway or parking lot. But beginning in 1982, a redevelopment project reclaimed part of the waterfront to build Waterplace Park, an outdoor amphitheater and public gathering place. In later phases, city planners redirected the three rivers, removed the concrete decking, and built seven new bridges. The last piece of decking over the Providence River was removed in October 1995, exposing the waterways in downtown Providence for the first time in a century.

Even with the new accessibility of the riverways, a gondola business in Providence might not have been obvious. Indeed, La Gondola ended up in Providence more by fluke than by design. Marco and Cynthia had built the gondola in late 1996 intending to move it to Florida, but while home visiting for the holidays, Cynthia gave birth to their first child two months prematurely. Driving over the Point Street Bridge every day to visit his daughter in the hospital, Marco took notice of the newly revitalized riverfront. He and Cynthia agreed it was even more beautiful than any setting they had found for the gondola in Florida, and they decided to launch their business in Providence instead.

Their timing, though coincidental, turned out to be opportune. Since La Gondola opened for business in 1997, the rivers have become an increasingly integral part of Providence's landscape. Pedestrians stroll the river walks day and night, and music lovers attend concerts at Waterplace Park. In the summertime thousands come to see WaterFire, a semi-weekly public art installation with 100 wood bonfires lining the rivers and international music piped throughout the waterfront area. And then there are the gondolas. Voted Providence's best place to pop the question in 1998, they provide a unique and romantic vantage point on the city. "I have guests who travel by here every day on the way to work, but until they view it from this perspective, they never appreciate how beautiful it is," recounts Marco, who has ample opportunity himself to appreciate the rivers with 95 percent of his rides booked.

The transformation of Providence's rivers has been accompanied by a transformation of the city itself, from a declining urban area to an increasingly appealing place to work, live, and visit. Indeed, its rebirth has been so impressive that the National Trust for Historic Preservation this year chose the city as the site for its annual conference. Marco, for one, is glad to see the change. "Providence is in a renaissance," he says. "In a small way, we're a part of that." ❊

would have been impossible only a decade ago

PHOTOGRAPH BY KATHLEEN DOOHER

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fax: 617 973-3957

E-MAIL
carrie.conaway@bos.frb.org
jane.katz@bos.frb.org
miriam.wasserman@bos.frb.org

The *Regional Review* (ISSN:1062-1865) is published by the Federal Reserve Bank of Boston.

After 100 years without boat traffic, now even gondolas are navigating the rivers in downtown Providence. Page 32

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