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# The Ledger

Economic Education Newsletter

FEDERAL RESERVE BANK OF BOSTON VOL. 20, No. 2 FALL 1994

## Gray Areas

**D**EPENDING ON WHO YOU TALK TO, THEY ARE EITHER THE BRIGHTEST, MOST INDIVIDUALISTIC GENERATION AMERICA HAS EVER PRODUCED, OR THE BIGGEST BUNCH OF SELF-INDULGENT WHINERS EVER TO WALK THE PLANET. WHEN THEY WERE YOUNG THEY WERE CONTEMPTUOUS OF THEIR ELDERS ("DON'T TRUST ANYONE OVER THIRTY!"). IN MIDDLE AGE THEY EXPRESS DISDAIN FOR THEIR JUNIORS ("DON'T THESE KIDS CARE ABOUT ANYTHING?"). THEY ARE THE 900-POUND GENERATIONAL GORILLA, THE BULGE IN THE DEMOGRAPHIC PYTHON — THE BABY BOOM GENERATION, A.K.A. "THE BOOMERS."

THROUGH SHEER FORCE OF NUMBERS THEY HAVE HAD AN ENORMOUS IMPACT ON THE U.S. ECONOMY. SINCE CHILDHOOD THEY HAVE COMMANDED THE ATTENTION OF ADVERTISERS, MARKETING EXECUTIVES, POLLSTERS, POLITICIANS, AND ANYONE ELSE WITH SOMETHING TO SELL. AND EVEN WHEN THE LAST OF THEM HAVE DEPARTED FOR THAT GREAT WOODSTOCK-IN-THE-SKY (SOMETIME AROUND THE YEAR 2060), THEIR CHILDREN AND GRANDCHILDREN WILL CONTINUE TO FEEL THE ECONOMIC AFTEREFFECTS.

THE FOLLOWING PIECE LOOKS AT HOW AGING "BOOMERS" MIGHT INFLUENCE THE AMERICAN ECONOMY OVER THE NEXT HALF-CENTURY. IT DOESN'T PRETEND TO BE AN EXHAUSTIVE TREATMENT OF THE TOPIC, BUT PERHAPS IT WILL PROMPT READERS TO THINK ABOUT WHAT THE FUTURE MIGHT HAVE IN STORE FOR US ALL.

The population explosion that followed World War II took demographers by surprise. Most anticipated a brief postwar surge in births followed by a return to the declining birth rates of the 1920s and early 1930s.

But things don't always go as expected. Americans began having babies in 1946 and didn't slow down for the next 20 years.

The number of births jumped from 2.8 million in 1945 to 3.8 million in

than 76 million babies were born from 1946 through 1964, and they made their presence felt in a variety of ways.

Hospital maternity wards were filled to capacity. Diaper services, babyfood manufacturers, and children's apparel makers strained to keep pace with the demand for their products.

Housing patterns shifted as more and more new parents thought about moving from cramped city apartments to single-family suburban houses



Elliott Erwitt/Magnum

1947. Births topped 4 million in 1954, peaked at more than 4.3 million in 1957, and didn't dip below 4 million again until 1965.

Social scientists tried, without complete success, to explain the phenomenon. Most offered variations on two themes: **1)** The sense of optimism fostered by victory in World War II, and **2)** Post-war federal policies that stimulated economic growth — cheap mortgage money and the offer of a (virtually) free college education to returning veterans. Whatever the reason, more

where the kids could breathe fresh air and romp in the backyard. And as the move to suburbia gained momentum, the demand for new products and services intensified.

Federally-subsidized highways opened the way to cheaper land for housing subdivisions, which in turn triggered a rush to build more schools. Within no time bulldozers were scraping topsoil off farmland to make way for car dealerships and shopping malls where the newcomers could begin to acquire the trappings of suburban life.

Landon Y. Jones, author of *Great Expectations: America and the Baby Boom Generation*, cites figures that indicate a dramatic increase in consumption:

*Car registration soared along with the birthrate from 26 million in 1945 to 40 million in 1950 to 60 million by the end of the decade.*

*... Lawn and porch furniture sales went from \$53 million in 1950 to \$145 million in 1960. Hot dog production likewise zoomed from 750 million pounds to more than 2 billion pounds in the decade.*

*... From fewer than 6000 [TV] sets manufactured at the baby boom's outset in 1946, production leaped, almost impossibly, to 7 million a year by 1953.<sup>1</sup>*

From the Little League and the PTA to cavernous toy stores and backyard barbecues, everything seemed to revolve around the arrival of all those new babies. American parents were determined to give their children the "best" of everything.

Things that were regarded as luxuries, soon came to be considered essentials; things like cars (and second cars), big backyards, school gymnasiums, stereo sound systems, orthodontia, restaurant meals, and elaborate vacations. With every passing year, the "essentials" became bigger, costlier, and increasingly child- or youth-oriented. The object of this new extravagance, in theory anyway, was to make life better for the kids.

Nothing typifies the trend better than the spectacular success of Disneyland. During the early 1950s, Walt Disney transformed a few acres of Orange County, California citrus groves into the dream destination for a generation of American children. Millions of kids watched Disney's television programs and longed for the day when they, too, might ride the flying Dumbos and the spinning teacups.

A Sunday visit to the local seaside or lakeside amusement park wasn't good enough anymore. Places like Coney Island, Norumbega Park, Revere Beach, Lake George, and Glen Echo couldn't compete with a theme park that was featured on television and pitched by the likes of Mickey and Donald. Every parent who could

afford it, and many who couldn't, planned a Disneyland vacation.

Disney's spectacular success provided a model for those seeking to win the hearts and dollars of the baby boom generation: Offer the boomers a product or service that seems unique, novel, even exotic; create the illusion that the product or service was created especially for them, then promote it heavily on television.

From Hula Hoops and Davy Crockett caps to Volkswagen Beetles and the singing Beatles, the formula worked like a charm.

As children, the baby boomers grew accustomed to the idea that products and services would be developed especially for them. By the time they were young adults, they expected it, they demanded it, and they got it.

Naturally, all that attention was bound to have an effect. "The assertion that its generation is somehow **special**," writes Landon Y. Jones, "has defined the baby boom from the beginning. It is not the first generation to make this claim, but none has ever said it more forcefully or convincingly. The baby boomers believe it because they were told to believe it."<sup>2</sup>

Even in middle-age the baby boom generation persists in seeing itself as special, a perception that is constantly reinforced by all those in pursuit of boomer dollars. Predicting where those dollars will go has become somewhat of a national preoccupation. But the graying of the baby boom has made the task more complicated, in part because middle-aged boomers are a far more diverse bunch than they once appeared to be.

Had someone been asked to characterize a "typical" baby boomer in 1968, the respondent might well have described a college student with countercultural values — a hippie. Fifteen years later, in 1983, someone answering the same question would have been likely to describe a yuppie. But how would one describe a typical baby boomer in 1994? Middle-aged? Gray? Slightly overweight? Those are physical characteristics rather than defining images.

Of course, even in the context of their times the hippie and yuppie characterizations were more stereotypical

than typical. Neither label applied to most boomers. But once upon a time, when they were younger, members of the baby boom generation may have had more in common with one another than they do now. Back when they watched the same TV shows, went to the same movies, listened to the same music, and shared similar expectations, baby boomers may have been more predictable. But as the years passed and economic factors drove a wedge between reality and expectations, the differences among baby boomers — differences that had always been there — became more pronounced.

By 1994, the differences between "early" boomers (those born during the first half of the baby boom) and "late" boomers (those born during the second half) were undeniable. The "early" boomers, who started their careers when jobs were more plentiful and bought their houses when housing was cheaper, are having an easier time than "late" boomers, who must scramble for jobs and scrape for downpayments. Even among "early" boomers there are differences between college-educated and non-college-educated, black and white, male and female members of the generation. And there's a world of difference between the 48-year old middle manager who has just been "reengineered" out of a job and the fortysomething, high-powered professional couple with lots of disposable income.

As far back as 1980, Landon Y. Jones noted that:

*... there is arising an extraordinarily privileged group which will come to dominate the generation.*

*... This is the Superclass.*

*... They are most visible on the two coasts.*

*... They are the professional-managerial working couples who command more discretionary income than any other group. They dress differently from most people, entertain themselves differently, eat differently, travel to different places, buy different things, and have different values. They have far fewer children.<sup>3</sup>*

To marketers and advertisers, the "superclass" represents the brass ring, the grand prize.

Yet despite their differences, all boomers share two common characteristics: **1)** There are a lot of them; and **2)** They're not getting any younger.



# Multi-Media

**The Story of Money**, cartoon-style booklet, published by the Federal Reserve Bank of New York, 24 pages.

Intended primarily for high school students, *The Story of Money* uses a light-hearted approach to foster a basic understanding of the role of money. The cartoon-style booklet explains:

- 1) the characteristics that items used as money should have — such as portability, fungibility, and divisibility — and the different types of money available;
- 2) how the banking system creates money; and
- 3) the need for the Federal Reserve to influence the growth of the money supply.

Up to 35 copies of the 24-page booklet are available free of charge from the:

**Public Information  
Department  
Federal Reserve Bank  
of New York  
33 Liberty Street  
New York, NY  
10045**

Additional copies are 25 cents each. A teacher's guide containing suggested discussion and multiple-choice questions is also available free of charge.

**Bank Products: What's Insured and What's Not**, pamphlet, published by the Federal Reserve Bank of Philadelphia.

The Federal Reserve Bank of Philadelphia has produced a brief, easy-to-read pamphlet that spells out for consumers exactly which financial institution offerings are covered by deposit insurance, and which are not. *Bank Products: What's Insured and What's Not* alerts readers to the differences between deposits and investments, emphasizing that deposits alone are insured by the federal government, whereas investment products such as mutual

funds are not. The pamphlet also provides helpful information about mutual funds, including the different types available and the regulations that govern sales by financial institutions.

To order a free copy of *Bank Products: What's Insured and What's Not*, write to:

**Publications  
Public Information  
Department  
Federal Reserve Bank  
of Philadelphia  
Ten Independence Mall  
Philadelphia, PA  
19106-1574**

or call (215) 574-6115

**Understanding  
the M's in Mon-  
etary Policy**, booklet, published by the Federal Reserve Bank of New York, 8 pages.



*Understanding the M's in Monetary Policy* defines the key money supply aggregates — known as M1, M2, and M3 — and discusses their structure and how they have been used in the formulation of monetary policy over the past two decades. It also notes that there has been a breakdown of the historic relationships between the M's and real economic activity.

To order copies of the booklet, write to:

**Publications Unit  
Public Information  
Department  
Federal Reserve Bank  
of New York  
33 Liberty Street  
New York, NY  
10045**

Up to 50 copies can be ordered without charge; additional copies are \$1 each.

## New England Update

### Meet Me At the Fair!

The Economic Education Council of Massachusetts, Bridgewater State College, and Bank of Boston will be hosting an Economics Fair on Saturday, April 8, 1995 from 9:00 a.m. to 4:00 p.m. (Sounds like it's a long way off, but it will be here before you know it.) The Fair will be open to all students in grades K-12 who attend school in Massachusetts. Participants will have the opportunity to develop individual or group economics projects relating to topics such as international trade, business and markets, money and banking, and environmental economics. Judges will award prizes in a number of categories and grade levels.

Teachers are needed to serve as judges, and to encourage their students to work on projects. Anyone interested in obtaining more information about the Economics Fair should contact:

**Dr. Margaret Landman  
Director  
Center for Economic Education  
Bridgewater State College  
Bridgewater, MA  
02325**

### Keep These Dates OPEN

The 26th Northeast Regional Conference on the Social Studies is scheduled for March 8 through March 11, 1995 at the Sheraton Boston Hotel in Boston, Massachusetts. The conference theme is *Creating and Celebrating Communities*. For more information contact: Claire Austin, Chairperson 26th NERC, c/o Belmont High School, 221 Concord Avenue, Belmont, MA 02178; phone (617) 484-4700.

products recently launched a TV ad campaign to push a do-it-yourself cholesterol test for home use. Other such innovations are sure to follow.

And notwithstanding the current controversy over health care reform, graying baby boomers will strain the U.S. health care system. The boomers who once filled maternity wards and schoolrooms, will inevitably pack doctors' offices and hospital rooms as they pass the midpoint of their lives.

That will cost money — lots of money — and the ensuing intergenerational debate over paying the bill could turn ugly. In fact, the cost of health care is only one of the potential points of economic friction between baby boomers and the generation that followed them.

### "X" Marks the Spot

Kids born immediately after the baby boom ended (1965-1976) are sometimes referred to as "Generation X." Although the label may say more about the boomers' sense of self-importance than it does about the people it is intended to describe, there are noticeable differences between the two groups.

Whereas baby boomers cling to the image of themselves as passionate and committed, they tend to view young adults in their 20s as an apathetic, nondescript generation. And for their part, young adults are apt to believe that boomers have snatched all the good jobs, driven up the price of housing, run up an enormous debt, and abandoned even a semblance of concern for those who came after them.

Friction between the two is evident in the concerns they have over employment prospects. Boomers look at corporate downsizing and bemoan the fact that there are far fewer management jobs for them to move into. Generations Xers look at the effects of downsizing and despair over ever getting a foot in the employment office door. Boomers fret that they'll be stuck in unfulfilling jobs for the rest of their working lives; Generation Xers worry that they'll never make enough money to live without roommates. The way Generation Xers see it, boomers in the workplace are doing exactly what they've done since kindergarten — taking up all the seats and forcing the rest of the world

to focus on their concerns.

### Footing the Bill

If current projections hold, people over the age of 65 could account for more than 18 percent of the U.S. population by the year 2030. And many of them could have difficulty making ends meet without some form of assistance for medical care or housing. Where will the money come from?

Mounting discord between the generations raises the possibility that workers in the year 2010 or 2020 may balk at making the economic and political sacrifices required to support the multitude of elderly boomers. "It's ironic," write the authors of *Lifetrends*, "Today's middle-aged (and soon-to-be-middle-aged) Americans have shown a reluctance to tax themselves for government services. Yet in two or three decades they figure to be asking for some substantial tax sacrifices from their adult children and other working Americans."<sup>8</sup>

Only they may not be "asking." Through sheer strength of numbers, aging boomers could conceivably exert enough political pressure to force the adoption of government policies skewed to the concerns of an older population. A comparatively small number of working Americans would see more and more of their income go to finance programs that benefit elderly boomers, while those same elderly boomers refuse to pay higher local taxes to support education and other services that directly benefit the young. The very prospect is enough to create distrust and disharmony between generations.

Another possibility is that an aging population will be more favorably disposed to governmental policies that favor savers over borrowers. Perhaps middle-aged boomers, who have already bought and substantially paid for their houses, will support a move to cut the federal tax deduction for home mortgage interest. Or maybe they will be less concerned about unemployment and more tolerant of policies that result in high real interest rates. (The nominal or stated rate of interest, minus the rate of inflation, equals the "real" rate of interest.)

Either course of action would strain relations between the young, who need to borrow in order to buy houses or start businesses, and the old, who tend to be more concerned with saving and earning a higher rate of return on their investments to supplement pension and Social Security checks.

Finally, there's the question of how an aging population will affect the psychology of the U.S. economy. Boomers have shown great nostalgia for their own past. Will their longing for "the good old days" force them into a chronically pessimistic view of the U.S. economy? And even if the economy performs well, will it ever be able to meet the expectations of wealth and abundance held by boomers in their youth?

"The most important questions about the middle-aged economy," writes economics reporter Robert J. Samuelson, "involve its spirit. Will it be grumpy, rigid and dull, a reflection of an increasingly security conscious, stodgy and tired population? Or will it exhibit new vitality, as middle-aged Americans temper youthful energy with security?"<sup>9</sup> Time will tell.

### Footnotes

<sup>1</sup>Landon Y. Jones, *Great Expectations: America and the Baby Boom Generation* (Coward, McCann, & Geoghegan, 1980), p. 40.

<sup>2</sup>*Ibid.*, p. 329.

<sup>3</sup>*Ibid.*, p. 273.

<sup>4</sup>Jerry Gerber, Janet Wolff, Walter Klores, and Gene Brown, *Lifetrends: The Future of Baby Boomers and Other Aging Americans* (Macmillan, 1989), p. 221.

<sup>5</sup>Judy Foreman, "As Boomers gray, dye sales boom," *The Boston Globe*, March 28, 1994.

<sup>6</sup>*Ibid.*

<sup>7</sup>Raju Narisetti, "Retirees Seek the Good Life Far From Florida," *The Wall Street Journal*, August 8, 1994.

<sup>8</sup>Gerber and others, *Lifetrends*, p. xii.

<sup>9</sup>Robert J. Samuelson, "Middle-aged economy will be a whole new ball game," *The Boston Globe*, April 2, 1991.



Over the next few decades, both factors will have major impact on the U.S. economy.

## When the Eyes No Longer Have It

Some of the economic effects are easy to predict. For example, when people hit their thirties and forties, whether they are members of the "superclass" or not, their eyesight begins to deteriorate. That's a fact of life. But how will that fact affect the economy?

According to the authors of *Lifetrends: The Future of Baby Boomers and Other Aging Americans*, menus and other printed materials will have larger print and more white space. Labels will feature larger black lettering and less color because the black-and-white contrast is easier on older eyes. Talking appliances, elevators, and automobiles will become more common. Dashboard gauges will be larger and easier to read. Computers will be equipped with software that magnifies certain parts of the screen. Talking books and large-print publications will be increasingly popular. (This trend is already well underway. Circulation of the *Reader's Digest* large-type edition jumped from 108,000 in 1980 to 504,000 in 1988.)<sup>4</sup>

Barring a technological breakthrough, the coming years will also see a tremendous increase in business for optometrists and ophthalmologists. The sale of eyeglasses is bound to increase as will the amount of money spent to care for cataracts and related afflictions.

## Cosmetic Changes

A few of the impending changes will be superficial, skin-deep — literally cosmetic. A recent article in *The Boston Globe* noted that in 1996 baby boomers will turn 50 at the rate of 10,000 per day.<sup>5</sup> Many of them will already have begun to turn gray as well. It comes with the territory. Melanin production slows during middle age, and hair turns gray. Some people handle it better than others, but hair color manufacturers are looking forward to growing sales. As one consultant for a hair care company told *The Globe*, boomers are "more comfortable with their vanity than prior generations. The old adage of

'act your age' is out the window. That will drive a lot of consumer behavior."<sup>6</sup>

Along those lines, cosmetic manufacturers are hoping members of a generation that revelled in being young will spend their money to camouflage crow's-feet and other indignities of the aging process. Boomer men, who as a group tend to be more vain than their fathers, represent a huge potential market. (Of course, the opposite could also happen. Cosmetic sales could sag if boomer men and women conclude that the battle against old age is ultimately unwinnable.)

## Safety First

To be sure, looks aren't everything. As boomers enter middle age, they seem to be demanding greater safety, comfort, and practicality in the products they buy.

Already they have forced automakers to rethink the old Detroit adage that "safety doesn't sell." Dual airbags, antilock brakes, side-impact protection, and crumple zones have become important selling features.

And any forty- or fiftysomething who has ever tried to climb out of a Corvette knows that comfort and practicality are important considerations. Graying boomers, who once squeezed into imports, have begun to demonstrate a preference for roomier passenger compartments. Before long they may start to demand pivoting seats and other design features that will make it easier for them to set foot on the pavement with comfort and dignity.

Concern for safety, comfort, and practicality will also find its way into the home.

From safer bathtubs to non-skid floor coverings, designers will pay greater attention to the needs of an aging population. Wider, safer steps may become a common feature.

Living-space needs and buying habits will also change as the average size of boomer households shrinks. When they were children, boomers were the "family-pack generation" — jumbo cereal boxes, giant, economy-size detergent packages, and big houses. But as they age they are becoming the generation of the "single serving-size" — packaged meals-for-one, brewed coffee-for-one,

and living-spaces-for-one.

Boomers, who experimented with communal living in their youth, may decide to give it another try in their old age. More and more elderly singles might decide to share living space in an attempt to seek companionship and stretch financial resources. (The question is, will they still argue over stocking the refrigerator, as they did when they were young?)

Retired boomers with the money and the inclination to do so, might decide to relocate — but not necessarily to the traditional retirement spots. A recent article in *The Wall Street Journal* listed ten up-and-coming retirement destinations; not one of them was in Florida or Arizona.<sup>7</sup> Analysts are predicting that boomers, particularly "superclass" boomers, will tend to favor college towns because such places offer a wider variety of activities and amenities — things like lectures, concerts, and health care facilities. Other who choose to relocate will probably seek out communities where the congestion, the crime rate, and the cost-of-living are low.

And as more boomers approach retirement, the competition to attract their dollars is likely to increase. Relocating retirees with a fair amount of disposable income could bring new life to small and medium-sized communities all across the country.

Even boomer retirees who choose not to uproot themselves (probably the vast majority) will engage in a variety of pursuits that go beyond the traditional mainstays of retirement — golf and bingo. Colleges and universities are betting that many will head back to the classroom; a good bet given the boomers' past penchant for self-improvement and "personal development."

## Health Cares

The onset of gray hair and wrinkles can trigger generalized concern over the state of one's health. By age 45, most adults seem to take greater notice of aches, pains, and other signs of physical decline — both real and imagined. If that is indeed the case, aging baby boomers represent an enormous potential market for the makers of antacids, laxatives, vitamins, and nonprescription pain relievers.

Home diagnostic paraphernalia might also increase in popularity. A major manufacturer of health care



# New England Update

## At the CENTER of Things

Many states have Economic Education Councils and Centers that offer teachers a variety of educational opportunities and tools ranging from in-service classes and specialized workshops to print materials and videos. In the New

England area, Connecticut, Maine, Massachusetts, and Rhode Island have active and thriving Economic Education Councils and Centers. For more information, teachers in those states should contact:

### Connecticut Council on Economic Education

University of Connecticut at Storrs  
U-55 One Bishop Circle  
Room 104  
Storrs, CT 06269-4055

Phone: (203) 486-2327

### Maine Council on Economic Education

University of Southern Maine  
68 High Street  
Portland, ME 04101

Phone: (207) 780-5926

### Economic Education Council of Massachusetts

University of Massachusetts Lowell  
West Campus  
Lowell, MA 01854

Phone: (508) 934-4622

### Rhode Island Council on Economic Education

Rhode Island College  
Providence, RI 02908

Phone: (401) 456-8037

*The Economic Education Council in your state will be able to put you in touch with the Economic Education Center nearest you.*



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**Public and Community Affairs  
Federal Reserve Bank of Boston  
P.O. Box 2076  
Boston • Massachusetts  
02106-2076**

**or by calling (617) 973-3459**

## Massachusetts' *Savings Makes* *"Cents"* Program Goes Statewide

Massachusetts State Treasurer Joe Malone recently announced the statewide kickoff of *Savings Makes "Cents,"* an innovative school banking program designed to teach elementary school children the ABCs of economics and the importance of saving. The program was introduced last winter in 11 communities as part of a pilot project, but with the opening of the 1994-95 school year it has now expanded to 116 schools in 78 Massachusetts communities.

In partnership with local banks, participating schools use a curriculum developed by the state treasurer's office to teach students the value of money and the importance of saving at a young age. The curriculum includes 12 lessons that cover five broad areas:

- 1)** Money,
- 2)** Working & Saving,
- 3)** Banks,
- 4)** Money Uses & Credit, and
- 5)** Taxes.

In addition, the school's bank partner establishes passbook savings accounts for the children and every two weeks sends representatives to the school to accept deposits.

"With our program," says Treasurer Malone, "children can learn about interest rates, budgets, and how to start a savings account. The teachers love it, the parents love it, the bankers love it - and most importantly, the kids love it."

For more information on *Savings Makes "Cents,"* call Eric Fehrstrom at the Department of the Massachusetts State Treasurer, (617) 367-6900.