

Why
Thrift Matters

20

PROPOSITIONS

THRIFT

Institute for American Values

THIS STATEMENT comes from a diverse team of scholars and leaders chaired by Amber Lapp, Charles E. Stokes, and Barbara Dafoe Whitehead of the Institute for American Values. The authors are grateful to the John Templeton Foundation for its generous support.

Being listed as a signatory designates only the signatory's overall endorsement of *Why Thrift Matters: 20 Propositions*. Affiliation is listed for identification purposes only.

For more information on this initiative, visit www.newthrift.org.

WHY THRIFT MATTERS

*Twenty
Propositions*

THE INSITTUTE FOR AMERICAN VALUES is a nonprofit, non-partisan organization that brings together approximately one hundred leading scholars—from across the human sciences and across the political spectrum—for interdisciplinary deliberation, collaborative research, and joint public statements on the challenges facing families and civil society.

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WHY WE COME TOGETHER

For several decades we Americans have lived in a debt culture.

This debt culture was never sustainable. Today nearly everyone realizes that it has failed. Now the question is: What should replace it?

We come together to answer this question. Now is the time to replace the debt culture with a culture of thrift.

THE PATH BEHIND: A FAILED DEBT CULTURE

For too long, Americans bought into the big lie of the debt culture: Namely, that as a nation and as individuals we no longer needed to save for a rainy day; that we could spend money we did not have; that we could build prosperity on a mountain of debt, waste, and excess; and that we could burn through resources at a furious pace without a thought for tomorrow.

For too long, influential institutions of commerce, government, and finance embraced the values of a debt culture. They put convenience, speed, and the pursuit of short-term gains over prudence, diligence, and long-term rewards. They contended that the nation was getting more prosperous and powerful as Americans borrowed more, bought bigger houses, drove bigger cars, and wolfed down more fast food. They worshipped the American Consumer as the great savior of the economy and of the nation.

We now live amid the rubble of this failed way of life. A debt crisis is weighing down the economic recovery. An energy crisis threatens our independence. A jobs crisis leaves many American

workers without income, purpose, or hope. Meanwhile, our leaders engage in backward thinking, finger-pointing, and endless debate about what went wrong and who is to blame.

THE PATH AHEAD: A RENEWED THRIFT CULTURE

Now is the time to think anew. This is America. We are an optimistic, hard-working, entrepreneurial people. We have always responded to adversity with fresh ideas and a can-do spirit. We have always summoned ourselves to face new challenges, master new circumstances, and embrace needed reform.

We can do so again.

Moreover, we do not need to invent a new philosophy to move in a better direction. We already have an intellectually serious and ethically robust alternative to the failed nostrums of the debt culture.

It is thrift.

Thrift is the ethic of wise use. The root of “thrift” is “thrive.” Thrift says: Use all you have in the wisest way, to promote thriving.

Thrift is a complex idea, bringing together the public and the private and combining three core traits, or overarching principles:

Industry: work hard and honestly

Frugality: use material and natural resources sparingly, with care for the future

Stewardship: share generously what you have with others

Now is the time to recover thrift as an ethic and revive it as a practice.

We have been here before. Indeed, for much of our history, thrift has provided a way forward for aspiring Americans of every rank and description. It has pointed the way to saving and security for new immigrants, African Americans, and working women. It has urged us all to conserve, repurpose, save, act as good stewards of small amounts and sums, and protect our natural environment. It has built fortunes and inspired American reformers and philanthropists of every stripe. It has occupied chapters in our textbooks and shaped the character and habits of generations of school children. It has led to the creation of cooperative institutions that have helped millions of Americans achieve wealth and independence. For generations, thrift was a core value in creating a wiser citizenry and a more broadly shared prosperity.

We seek to create a twenty-first century movement that brings together Americans of all backgrounds, ages, and life circumstances to work toward the goal of building a broadly shared thrift culture.

We seek to enlist the leaders and membership of institutions at the forefront of the thrift movement in the twentieth century to commit their talents, ideas, and energy to a twenty-first century thrift movement.

We seek to bring together in common purpose the broad thrift community of environmentalists, thrift stores, cyclers and recyclers, gardeners and green energy advocates, savers and sharers, and community organizations and cooperative institutions that work every day to achieve the goal of a sustainable future.

This report sets forth twenty propositions on why thrift matters, more so today than probably ever before. These propositions paint a picture of what a new thrift culture can do for us and for our families, our neighborhoods, our economy, and our planet.

WHY THRIFT MATTERS:

A Summary

FOR YOU AND YOUR FAMILY

1. Thrift helps families to achieve financial peace of mind.
2. Having a financial plan is linked to overall happiness and greater self-esteem.
3. Thrift teaches habits associated with higher academic achievement and success later in life.
4. Thrift provides a route to greater self-sufficiency during uncertain times.
5. Thrift plans for the future.

FOR YOUR NEIGHBORHOOD

6. Thrift inspires neighborly cooperation and social trust.
7. Thrift promotes wise stewardship of property.
8. Thrift cultivates generosity.
9. Thrift institutions offer alternatives to high-interest lenders that hurt neighborhoods and the people living in them.

TWENTY PROPOSITIONS

10. Thrift stores embody the thrift ethic and benefit their local communities by providing affordable prices, funds for charity, and jobs.

FOR THE ECONOMY

11. Savings spur economic growth.
12. Positive household savings rates are good for the nation.
13. Thrift encourages an ethic of hard work, which contributes to economic growth and productivity.
14. Thrift fosters broad economic opportunity.
15. Thrift creates new savings institutions and ideas.

FOR THE PLANET

16. Thrift reduces waste.
17. Thrift inspires creative reuse.
18. Thrift encourages recycling.
19. Thrift conserves natural resources.
20. Thrift generates green growth.

WHY THRIFT MATTERS: TWENTY PROPOSITIONS

FOR YOU AND YOUR FAMILY

1. Thrift helps families to achieve financial peace of mind.

In recent years, Americans of all income levels have put themselves at risk for increased money worries and disagreements. They have spent themselves into nearly \$1 trillion of consumer debt. In 2007, household debt was 100 percent of the Gross Domestic Product (GDP)—the highest it has been since the stock market crash in 1929.¹ In a 2007 Pew Research survey, the item “not having enough money/paying bills” ranked number one in a list of problems facing respondents and their families.²

Consumer debt contributes to arguments over money in the home. A 2007 survey reported that 38 percent of all married couples say that they argue often or sometimes about money—and that was before the recession!³ Some research suggests that disputes over finances are better predictors of divorce than any other type of disagreement.⁴

Money worries also take a toll on marital happiness. Newlyweds who enter marriage debt-free but then accumulate debt see a sharper decline in marital happiness than those that enter marriage with debt but work to pay it off—and this is true regardless of socio-economic class.⁵ In addition, materialism and the perception that one’s spouse is a spendthrift account for lower levels of marital happiness, higher levels of conflict, and

THE BIGGEST PROBLEM FACING YOU AND YOUR FAMILY...

All Adults %

Financial problems (NET) **36**

Not enough money/paying bills	25
High prices/cost of living/housing	3
Unemployment/low paying jobs	3
Economy/recession/business	3
High gas/fuel prices	1
Taxes/high taxes	1

Other problems (NET) **36**

Family/personal/health problems	11
Health care/high cost of insurance	5
Time management/not enough time	4
Costs of education/childcare	2
Issues facing the elderly	2
War/international affairs	1
Social security	1
Morality/family values	1
Terrorism/safety	*
Other	9

No problems/don't know **30**

Note: Responses total to more than 100% due to multiple responses to this open-ended question.

PewResearchCenter

increased chances of divorce—again regardless of whether the couple is rich, poor, or middle-class.⁶

Thrift habits like budgeting, saving, and living debt-free can therefore contribute to happier, healthier homes.

Thrift habits also enable one generation to contribute to the next. The immigrant couple who scrimped to survive in a new country is now able to buy savings bonds and birthday gifts for their grandchildren. The farmer who woke up each morning before dawn to milk the cows passes the farm along to his son. The couple who started a small business is now sending their children to college and paying for their daughter's wedding. And children whose parents passed on such generational wisdom can pass it along to their own children.

2. Having a financial plan is linked to overall happiness and greater self-esteem.

If money can't buy you love, neither can it buy happiness—although how you *manage* your money might make you happier, as one 2010 study suggests. Researchers working in tandem with a leading psychologist at London's City University found a direct correlation between having a financial plan and higher self-esteem and overall happiness—regardless of salary, employment status, or age.⁷ The moral of the story? *It's not income level that matters as much as wisely allocating the financial resources one does have.* As Thomas Stanley, coauthor of the best-selling *The Millionaire Next Door*, remarked in an interview:

If you look at the statistics on happiness in life overall, those people who live below their means are happier than people who don't. . . . [I]n the study we did of 933 millionaires more recently since The Millionaire Next Door, I looked at the forty-six makes of cars in America

*and looked at happiness as a function of owning one or not owning one, and there is not one correlation.*⁸ (emphasis in original)

Mr. Micawber, a famous Dickens character from *David Copperfield*, noted a similar principle:

Annual income twenty pounds, annual expenditure nineteen pounds nineteen and six, result happiness. Annual income twenty pounds, annual expenditure twenty pounds ought and six, result misery.

In short, a budget is likely to bring you a greater chance of overall happiness than a BMW or a Benz.

3. Thrift teaches habits associated with higher academic achievement and success later in life.

Thrift—whether practiced through small savings, hard work, or volunteerism—teaches children the virtue of delayed gratification. Studies like the famous marshmallow experiment—in which researchers gave four-year-olds the option of eating one marshmallow now or two later—show that when a child can delay gratification, he is less likely to have behavioral problems as an adolescent and more likely to do well in school.⁹ A similar study found that the ability to focus on a future goal and delay an immediate reward is a better predictor of academic achievement than IQ.¹⁰ It makes sense—if you can wait fifteen minutes for a marshmallow you can probably also wait to watch TV until after your homework is done.

Thrift also teaches the habit of saving. Aside from the material success that this habit encourages, new research also suggests that students (ages twelve to eighteen) who have their own savings accounts score higher on standardized math tests than those who do not, even after taking into consideration household

net worth, homeownership, family income, household head's educational level, and marital status.¹¹

Why might this be? Students who have their own savings accounts gain a concrete sense of numbers—they feel the weight and hear the clanging of their coins as they count them; they add and subtract deposits and withdrawals in their bank books; they calculate interest gained; and they see their savings accounts grow. Such practical experience may heighten a student's interest and proficiency in math.

Another study suggests that children who have college savings accounts are two times more likely to have higher expectations that they will go to college than their peers who have no college savings accounts.¹² And of students who expect to go to college, those with their own savings accounts are more likely to do so. Researchers conclude that youth account ownership is a better predictor of college attendance than parental savings and net worth, and that, therefore, “Policies that aim to increase youth account ownership and savings may play an important role in helping to restore the American Dream of attending college.”¹³

Given these findings, we can see why some nations have long mandated thrift education, with an emphasis on character formation.¹⁴ In 1880s France, for example, the Ministry of Education implemented savings banks in all schools, along with a standardized thrift curriculum.¹⁵ Today, Japan and Germany have school savings programs and government-sponsored financial education.

Princeton historian Sheldon Garon points out that while financial education is gaining popularity in the U.S. “programs suffer from lack of coordination and problems of quality control.” Garon suggests that the Consumer Financial Protection Agency could take the national lead on these programs, and that more banks could offer special youth accounts with no minimum

balances and better interest rates.¹⁶ Absent this national leadership, local leaders in schools and financial institutions can coordinate with each other to organize school savings programs in their districts as a way of instilling the thrift habits that lead to success later in life.

4. Thrift provides a route to greater self-sufficiency in uncertain times.

At a time when many Americans are still reeling from the aftershocks of the Great Recession and when 73 percent of Americans are either frustrated with or angry at the federal government,¹⁷ there are ways for people to improve their own lives without waiting for Congress to pass a law. While government and civil society institutions can take steps to promote thrift, the practice of thrift fosters self-sustaining habits that do not require official approval. Examples are establishing personal savings; growing a vegetable garden; learning to repair and reuse; making home-cooked meals; designing a dress with vintage fabrics from a thrift store; and borrowing books and DVDs from the public library, to name but a few.

By fostering self-sufficiency, thrift brings greater freedom from excessive borrowing and over-indebtedness. Benjamin Franklin, who knew firsthand the value of freedom, wrote, “When you run into debt, you give another power over your liberty,”¹⁸ and “The Borrower is a Slave to the Lender, and the Debtor to the Creditor, disdain the Chain, preserve your Freedom; and maintain your Independency: Be *industrious* and *free*; be *frugal* and *free*.”¹⁹ Thrift is a way to avoid the servitude that comes from over-dependency on expensive consumer credit.

However, thrift’s notion of independence is not the same as radical individualism. Thrift reformers of the past like Samuel Smiles, the nineteenth-century Scottish author of *Self-Help* and *Thrift*, recognized that while thrift encourages a healthy self-sufficiency,

both the state and civil society have a place in shaping a self-reliant citizenry by creating institutions that enable savings and encourage a culture of thrift.²⁰

5. Thrift plans for the future.

We are living longer. Just a few generations ago, retirement was a short period of time between the end of work life and the end of life itself. Today, people are living for decades after they leave the workforce. Eighty-two percent of the population is expected to live to age sixty-five, more than double the figure for a century ago. At age sixty-five, men can expect to live for about sixteen more years and women for another two decades.

Not only is the period of retirement longer than in the past—it requires more substantial savings to meet health care costs and ordinary living expenses. Moreover, building a nest egg depends on a stable monetary system in which currency is not debased and interest rates keep up with the rate of inflation.²¹

A retirement nest egg has three basic components: Social Security, private pension, and household savings and investments. Future retirees will need all three, and it is likely that their household savings will have to make up a larger share of the nest egg—given the trend toward smaller public and private pensions. According to a 2010 McKinsey report, “the reality today is that beyond baseline Social Security income, most Americans will have to rely on their personal savings for retirement.”²²

Building a retirement nest egg takes time. Starting early and setting aside small amounts can lead to substantial savings over time. For example, a twenty-five-year-old who starts saving for retirement needs to save around 10 percent of his income in order to retire by age sixty-five, while someone who waits until age thirty-five will have to save more like 20 percent.²³ This foresight provides opportunities to enjoy life and to be generous to others, even, and sometimes especially, in old age.

FOR YOUR NEIGHBORHOOD

6. Thrift inspires neighborly cooperation and social trust.

In “Why Thrift? Why Here? Why Now?” a presentation made at the 2011 Philadelphia Thrift Leader’s Roundtable, David Blankenhorn explained that thrift is a concept that simultaneously encourages self-help and voluntary cooperation: “Thrift is about self-help rightly understood.” Whereas some will tell others to pull themselves up by their own bootstraps and some will hand out charity indiscriminately, Blankenhorn argues that “thrift leaders have historically rejected both of those ideas.” Instead, they have emphasized “self-help with a helping hand,” which he explains further:

You have to do something to help yourself, but if you do that, you will be helped by others. You will get a helping hand. It’s not a jungle. And it’s not paternalism or charity. It’s helping people who are helping themselves. . . . We’re going to meet you where you are, but we’re not going to leave you there.²⁴

It is this “self-help rightly understood” that allows communities to flourish. A community garden gives away produce in exchange for volunteer hours. Goodwill Industries turns donated winter coats into employment for the disabled. A credit union gives a loan at a modest interest rate to a family struggling to pay a medical bill. A library helps the unemployed write résumés and do online job searches. A Boy Scout troop cleans up a vacant lot near the elementary school, and the local pizza shop funds the building of a new playground on the grounds.

This kind of cooperative activity among neighbors—or “collective efficacy,” as one study calls it—is also linked to reduced violence.²⁵ It makes sense. Neighborhood associations build trust and solidarity among those who might otherwise be strangers.

And while a stranger might ignore the suspicious man lurking in the windowless van while the neighborhood kids play ball in the street, a neighbor will keep an eye out and call parents or police if necessary.

7. Thrift promotes wise stewardship of property.

Thrift encourages respect and care for property—both our own private property and property concerns that relate to the public good.

In a 1916 essay, “The Thrift of Thought,” G.K. Chesterton alludes to the connection between thrift and stewardship of property:

When we expect a peasant to make the best use of a field, we do not mean he should put up with it, like a prison. That is not making the best use of it, but only accepting the worst. We mean that his thrift thrives; that his land, so to speak, enlarges inward; that, like a cup in a fairy tale, it holds more and more without overflowing.²⁶

There are many neighborhoods in America today where properties are hardly “enlarging inward.” Take, for example, a block of boarded-up buildings interspersed with vacant lots that hold enough debris to qualify as small landfills. This ravaged block is not only unproductive, it may also be destructive and dangerous—attracting drug dealers, gangs, and squatters who menace and terrorize law-abiding residents of the neighborhood.

Reducing blight means safer, more attractive neighborhoods and up to 30 percent higher property values, which safeguards investment in the community.²⁷ Abandoned property also costs local governments money to maintain and represents a loss of property tax revenue. For example, according to a report commissioned by the Redevelopment Authority of the City of Philadelphia and the Philadelphia Association of Community

Development Corporations, Philadelphia—a city with over 40,000 vacant parcels of land—spends more than \$20 million on vacant land maintenance and loses about \$2 million in uncollected property taxes each year.²⁸

8. Thrift cultivates generosity.

In the nationally representative 2010 American Saver Survey, 54 percent of respondents believe that *being generous is the opposite of being thrifty*.²⁹ These people are making a common mistake by linking thrift with Scrooge-like miserliness.

Thriftful people are rarely misers. Indeed, over the course of a lifetime, a thrifty person will have more to spend and more to give, as his savings and wealth grow over time.

Over centuries, thrift leaders have emphasized the link between thrift and generosity. As John Wesley memorably put it: “Gain all you can, save all you can, then give all you can.”

S.W. Straus, the founder of the National Thrift Society, called generosity “the greater thrift.” In a 1916 speech to the annual convention of the National Education Association, Straus drew a sharp distinction between miserliness and the greater thrift:

*A miser is an undesirable citizen. What, pray, would be the fate of a nation of misers? . . . In Chicago a man died recently and left \$700,000 to the Orchestra Association of that city. . . . [H]e has exemplified the greater thrift. The man who is penurious and tight-fisted is a dead weight to civilization.*³⁰

So many of our cherished cultural institutions, like education and the arts, depend upon private philanthropy to thrive. Straus is right to call generosity “the greater thrift” because without it, the best of our cultural heritage would be lost.

9. Thrift institutions offer alternatives to high-interest lenders that hurt neighborhoods and the people living in them.

The next time you take a trip to a middle-American city or town, drive down the main thoroughfare and look for the franchise lenders with big neon signs: *Payday Loans: Get Ca\$h Fast!* *Rent-to-Own: No Credit Needed!* *Snappy Title Loan: Bad Credit Okay!* If you see a dense concentration of such stores, chances are you are looking at the fast-growing sector of the financial industry that caters to strapped borrowers at the lower end of the income ladder.

Low- and middle-income Americans with jobs but with poor credit and little savings are turning to these lenders for short-term, high-priced loans. Unlike high-earning Americans—who are likely to have access to thrift institutions such as community banks and credit unions, and to have savings opportunities built into their work cultures in the form of 401(k)s, deferred compensation plans, and retirement savings—lower-income earners lack institutional opportunities to save and to borrow at favorable rates. This has contributed to a financial divide between thrift institutions that provide opportunities to save and invest for those who are doing well and “anti-thrift” institutions that provide high-cost credit for those who are struggling financially. For example, there are 115 payday lenders and sixty-four bank branches in Cameron County, Texas, which has a high proportion of low- and middle-income households. In more affluent Collin County the numbers are reversed: it has thirty payday lenders and 155 bank branches.³¹

Some argue that high-interest lenders provide a service to families who need money in a pinch. The problem is that the typical borrower (usually of a small sum like \$300) finds himself having to renew his loan an average of nine times per year. This is because payday lenders—unlike most lenders—will only

take the full amount of the loan as repayment. The borrower cannot pay back the loan in smaller installments. To make matters worse, the lender typically charges a fee of 15 percent up-front and payment is often due in full in two weeks. If the borrower doesn't have sufficient funds to cover the entire loan amount at that time, he has to take out a new loan and pay another fee. As a result, payday loans have an APR that is typically around 400 percent or more. The result? Borrowers find themselves in a debt trap and may end up paying thousands of dollars in interest and fees. About 76 percent of payday lending revenue comes from repeat borrowers who flip their loans.³²

If low- to middle-income families had access to small loan products that offered longer repayment terms, lower interest rates, and the option of paying off the principal in installments, they would be less likely to turn to high-cost loan products, like payday loans. One study showed that after North Carolina closed down payday lending stores in 2006, 92.7 percent of those surveyed said that the ban had either no effect or a positive effect on their households.³³

As a better option for Americans of modest means, financial institutions and nonprofit organizations across the country are piloting innovative alternatives to high-interest loan products. For example, the FDIC has a successful small-dollar loan program with an average 16 percent APR that builds in savings incentives.³⁴ The National Federation of Community Development Credit Unions is piloting a similar "Borrow and Save" loan, which also helps borrowers build a small emergency fund.³⁵ In Pennsylvania, the Pennsylvania Credit Union Association and the Pennsylvania Treasury developed the "Better Choice" loan, a low-fee, low-interest product that can be paid in installments and is offered by financial institutions across the state. Since the program began, customers have saved nearly \$15 million by avoiding the high interest rates and fees typically associated with payday lending products. Better Choice loan customers also

receive financial counseling and deposit an additional 10 percent in an interest-bearing savings account in hopes that building an emergency fund will take them beyond living paycheck-to-paycheck.³⁶

10. Thrift stores embody the thrift ethic and benefit their local communities by providing affordable prices, funds for charity, and jobs.

While anti-thrift institutions increasingly tarnish the streetscape, there is one thrift institution that preserves the thrift ethic in a vigorous fashion: the thrift store. No longer just havens for homeschooler moms shopping for fabric to fashion overalls and jean skirts, thrift stores are haunts for hipsters looking to make a statement. In *Franklin's Thrift: The Lost History of an American Virtue*, Allison Humes relates that, "While overall U.S. retail sales grew 24 percent from 1997 to 2002 (to \$3.1 trillion), the Census Bureau reports that over the same five-year period, used-merchandise stores grew by 29 percent to \$7.8 billion in sales."³⁷

Thrift stores embody all three pillars of thrift: *industry* (they provide jobs for people of modest means), *frugality* (they promote reuse, conservation, and cost-consciousness), and *stewardship* (they are nonprofits that give back to the community).³⁸

The genius of thrift stores is that they teach savings *and* giving. And much of that giving is of the "teach a man to fish" variety (or as thrift visionaries might put it, "self-help with a helping hand"). For example, in 2010 Goodwill Industries generated over \$4 billion in retail sales from their 2,500 thrift stores—and as a nonprofit, this money ends up going back to the community in the form of job training and employment services for the disabled and those in life transition. In 2010, two-and-a-half million people benefited from Goodwill's career services. Every forty-two seconds of every business day, Goodwill places someone in a job.³⁹

FOR THE ECONOMY

11. Savings spur economic growth.

Economists talk about savings not in terms of hoarding gold in a buried treasure chest, but as *delayed spending*. Saving money now means that that money can be used in the future.⁴⁰ And when that saved money is diverted from consumption, the financial system turns it into productive investment, which generates a return that increases the value of one's savings over time. On an individual level, this savings can be used to pay for college or to start a business, which is more productive in the long run than if the money had been spent on the latest gadgets and gimmicks.

Without private savings, there is less money available for the investments necessary to economic growth. As the American Council for Capital Formation Center for Policy Research reports, private saving is “the major source of funding” for “productivity-enhancing investments which in turn raise real wages for both skilled and unskilled workers.”⁴¹ Less private savings also means more dependence on foreign savings, which constrains our ability to make good investment choices and erodes our sovereignty. In other words, if the government “dis-saves” by running a deficit, and the personal savings rate is low, then both have to be made up for by saving or investment coming from abroad, with problematic consequences for the national economy.

Given the importance of savings to a nation's economic health, it is fair to say that Americans face a savings crisis: The U.S. personal savings rate declined from 10.8 percent in 1984 to close to zero in 2005, which is the lowest among the twenty countries with the largest economies. It has since rebounded into positive territory and now stands at 4.5 percent. Yet this savings rate is still far from the double-digit personal savings rate of three

decades ago. Continued efforts to increase savings—even by relatively modest amounts—could increase economic opportunity at national and household levels by helping to relieve the budget deficit, by lessening dependence on foreign investment, and by helping families to reach their goals for education, homeownership, and retirement.⁴²

12. Positive household savings rates are good for the nation.

The “paradox of thrift” is the idea that while saving money may be good for an individual or family, it sometimes harms the economy as a whole. As economist John Maynard Keynes put it in a 1931 radio address, “Whenever you save five shillings, you put a man out of work for a day. You’re saving that five shillings adds to unemployment to the extent of one man for one day—and so on in proportion. On the other hand, whenever you buy goods you increase employment.”⁴³ So what’s a public-spirited citizen to do? Save—or consume?

Contrary to the alleged paradox of thrift, it is probably not the housewife’s patriotic duty to “sally out tomorrow early into the streets and go to the wonderful sales,” as Keynes advised during the Depression era.⁴⁴

Why not?

For one, Keynes’s paradox applies only in the special circumstances of an ailing economy where savings are not flowing into productive investment. In a healthier economy, five shillings saved does not necessarily “put a man out of work,” because saved or invested money provides the flow of capital for new or expanding businesses, which in turn may lead to new jobs.

Furthermore, an economy that relies on mass consumption built on high levels of consumer borrowing and indebtedness is not

sustainable, as recent events in economic history have shown. Those who save and invest have more to spend over a lifetime than those caught in downward spiraling debt; savers can provide for themselves and are better able to help others in need.

In addition, to say that “buying stuff is buying stuff is buying stuff”⁴⁵ or that money spent (no matter for what end) is always productive is akin to the broken window fallacy. The broken window fallacy says that breaking a window (or some other disaster) is beneficial because it means that money will be spent on repairs, which will give people work. This is a fallacy because it fails to account for hidden opportunity costs: Money spent to rebuild a burnt-out restaurant is not as productive as money spent to hire more staff had the restaurant never burned in the first place; money spent on cigarettes is not as productive as money spent on a gym membership; money gambled is not as productive as money invested. And so, to encourage citizens to spend, spend, spend ignores the fact that saving is essentially spending deferred for a wiser purchase in the future.

Last, the “paradox of thrift” is an unfair name. Thrift is not abstinence, hoarding, and tight-fistedness, as the paradox implies. On the contrary, thrift is generative, calls forth creativity given limited resources, and shares with those in need.⁴⁶

13. Thrift encourages an ethic of hard work, which contributes to economic growth and productivity.

Thrift is not only about frugality—it is also linked to industry, or hard work. Benjamin Franklin, the “Apostle of Thrift,” rarely used the word frugality without first mentioning industry. In “Advice to a Young Tradesman, Written by an Old One” (1748), Franklin sermonizes:

[T]he Way to Wealth, if you desire it, is as plain as the Way to Market. It depends chiefly on two Words, INDUSTRY

*and FRUGALITY; i.e., Waste neither Time nor Money, but make the best Use of both.*⁴⁷

In other words, without industry, there are no resources with which to be frugal.

And of course, work is essential for economic growth. The GDP, which is a common indicator of economic well-being and measures the output of goods and services in a country, is directly related to worker productivity, which is often measured as GDP divided by the total number of hours worked. This means that the harder and more efficiently workers work, the greater the impact on GDP.

Work is the one aspect of thrift where Americans consistently excel. The Bureau of Labor Statistics reports that in 2009, the average American worker worked 1,734 hours in a year, which was generally more than most European workers. American workers also rank among the most productive in the world, with GDP per hour worked at \$57.54.⁴⁸ In addition, Americans tend to believe that hard work is the most important factor in getting ahead economically, even above things like education and the state of the economy.⁴⁹

Productive work connects effort to reward. It brings material rewards in the form of earnings and savings. But it also bears other kinds of fruit (“frugality” comes from the Latin, *fruge*, for “fruit”). Work confers dignity, a sense of social belonging and of being useful to others. For most Americans, having work is essential to the pursuit of happiness.

14. Thrift fosters broad economic opportunity.

Thrift is broadly democratic in aspiration and scope. This means that thrift is not just a concept for the well-to-do, but a concept that allows people of modest means to save and build wealth.

Levi P. Smith of the Burlington Savings Bank noted that

the idea of making the advantages of saving and investment available to all people . . . sprang from the intellectual revolution achieved by the great liberal philosophers and writers of the eighteenth century. . . . [T]he whole force and significance of our thrift movement derives from this revolution in thought.⁵⁰

In other words, the philosophers that spurred the American experiment with democracy were the flame of the thrift movement, with its mission to educate citizens of all socio-economic backgrounds in the virtues and rewards of hard work, wise spending, and saving, in hopes of creating a more equitable society. A freedom-loving people were to be free from dependency, debt, and poverty.

Roy Bergengren, the famous credit union pioneer, understood this when he argued that economic democracy is as essential as political democracy. Bergengren gave up a promising career as an attorney to travel the country mobilizing people of modest means to “organize cooperatively, pool their individual savings and, from the pool, take care of their own credit problems without usury.”⁵¹ Cooperatives like credit unions have a democratic “one member, one vote” philosophy that encourages participation from all its members, who are also part owners of their respective institutions.

Savings banks share thrift’s mission to foster broad economic opportunity. Early in the nineteenth century, when most banks were only interested in wealthy investors, savings banks started as philanthropic endeavors to allow immigrants and the working class to establish regular savings.

Today, thrift institutions like credit unions and savings banks continue to promote a more equitable society by empowering small savers.

15. Thrift creates new savings institutions and ideas.

If saving is good for the economy, as the previous propositions suggest, then the proliferation of savings institutions and ideas is also good for the economy. Thrift proponents past and present are known for their ingenuity in devising new ways to encourage people to save.

Consider the array of savings products available to small savers at the People For People Credit Union in North Philadelphia, an area in which 80 percent of the residents are unbanked:

- “Better Choice” Payday Loan (which has a savings component)
- SEED Savings Accounts for Pre-College Children
- Lil’ Bucks Club—Savings for Children
- Savings Accounts
- Christmas Club
- Vacation Club⁵²

Or think of Beneficial Bank, also located in Philadelphia. Beneficial hopes one day to convert all of its branches to “campuses”—a model it describes as “a cross between a nice community library and an Apple store.” At their current campuses in Cherry Hill, New Jersey, customers can sip coffee or hot chocolate while they learn about financial planning using free Wi-Fi. Children can play and learn about savings in the “Little Learner’s Corner.” Teens can read about savings on iPads that are a part of the “Financial Learning Library.” Employees are available to help customers develop financial plans and to lead free workshops.⁵³

And while school savings banks aren’t as common as they once were, an increasing number of institutions are devising creative ways to teach kids to save. The Young Americans Bank in Denver, Colorado, is specifically designed for those under age twenty-one and allows kids to deposit coins in the coin-

counting machine without a fee.⁵⁴ The Please Touch Museum in Philadelphia hosted “The Pinch and Penny Show” at their theater and has a talking puppet to teach kids about saving.⁵⁵ And the “Your Money” section of the *New York Times* interviewed Elmo about Sesame Street’s partnership with PNC Bank to teach kids to “save, spend, and share.”⁵⁶

There are also innovative savings ideas for adults: tax-time savings bond programs like the one organized by the D2D Fund,⁵⁷ prize-linked savings tickets, and the Salvation Army’s SMART program in which families save at least \$10 a month for Christmas gifts for their children, which is then matched by Bank-Plus before families go shopping with a SMART volunteer who provides spending tips as they shop.⁵⁸

Why does it matter that we create more savings opportunities?

It matters because institutions matter. We do not live in a vacuum, making decisions apart from what our neighbors are doing, what our government is saying, and what financial services options are most accessible. While it’s true that we make our own choices, it’s also true that we take cues from our environment. A woman in a largely unbanked neighborhood, where payday lenders and check cashers abound and every deli and corner store awning is emblazoned with the state lottery logo, is probably going to find it difficult to open a savings account. First, there aren’t any convenient savings opportunities in her area. Second, there is no strong cultural message about the importance of savings.

In the corner stores that used to hang war-time posters advertising savings bonds, savings messages have been replaced with ads for instant scratch lottery tickets shouting “Minute to Win it!” and “Make Me Rich!” In recent years, Americans are more likely to hear encouragement to spend than to save. (Picture *Newsweek*’s 2009 cover story, “Stop Saving Now!” accompanied by an image of Uncle Sam recruiting Americans to “start spending.”)

Cultural messages like these do not fall on deaf ears. Institutions (and the messages they convey along with the services they offer) affect people's savings behavior. For example, while the Japanese and many European governments supported not-for-profit postal savings and other programs that encouraged small savings in the post-World War II era, the American government fundamentally encouraged consumption. And likely because of this historic normalization of consumption, credit, and overindebtedness, today Americans have lower savings rates than much of the rest of the world.⁵⁹

In short, new savings ideas and institutional support for thrift are necessary if we want to democratize savings and experience broader economic growth and prosperity.

FOR THE PLANET

16. Thrift reduces waste.

There's an old saying that a French family could live in elegance on what an American family throws away. Turns out, there's a lot of truth to this: In 2009, Americans generated thirty-four million tons of food waste.⁶⁰ This is an estimated 27 percent of food available for consumption. According to the Department of Agriculture, even just recovering 5 percent of this waste would feed four million people a day. A 25 percent recovery rate could feed twenty million people.⁶¹ At a time when food prices are rising, families are struggling to keep up with the grocery bills, and homeless shelters are undergoing cuts in their food budgets, the fact that Americans waste \$100 billion worth of food annually is tragic.⁶²

Early thrift reformers took food waste incredibly seriously and saw it as a moral vice. Plans to teach students how to waste less involved gardening, preparing healthy meals and cooking with

substitutes, storing and preserving food from the school garden to be used in the cafeteria, salvaging waste materials, cleaning vacant lots, repairing clothing, and conserving natural resources, among other things.⁶³

Today, schools could resurrect past practices by planting gardens⁶⁴ and participating in “no waste” campaigns, like National Green Week, in which two million children reduced their cafeteria waste by over one hundred thousand pounds in 2010.⁶⁵ Writers like Jonathan Bloom, author of the blog *Wasted Food* (www.wastedfood.com), are encouraging people to reduce their waste by planning meals ahead, saving and eating leftovers, and composting any scraps. Organizations like Food Not Bombs and America Harvest “rescue” food from groceries and restaurants that is past the sell-by date but still fresh enough for consumption and deliver it to shelters and soup kitchens. Like earlier thrift reformers, modern thrift advocates help to lead the war on waste.

17. Thrift inspires creative reuse.

Plastic grocery bags—one of those items that we typically use and toss—are in the news. Journalists chronicle the ups and downs of campaigns to ban stores from handing out plastic bags; Facebook groups report that the average American family uses 1,460 plastic bags a year; and websites like reuseit.com decry the “plastic bag pandemic” and sell the “Plastic Bags Blow Activist Kit,” which contains buttons, stickers, and a sustainably-made t-shirt that encourages shoppers to B.Y.O.B. (Bring Your Own Bag). Plastic bags pose a problem because they are not biodegradable, take a long time to decompose (some scientists estimate between 500 and 1,000 years!)⁶⁶ and contaminate the soil and water when they do.⁶⁷

Whether or not you consider yourself an environmentalist, it’s easy to see the benefits of reducing the amount of consumables

we mindlessly toss away. One administrator at an environmental group in Philadelphia observed that older people like the idea of reusable, cloth grocery bags—not because they see it as the latest trend or are terribly concerned about polluting the environment, but *because reuse is thrifty*. It’s a habit that many senior citizens adopted before plastic bags were an option—largely because of their belief in the ethic of “waste not.” And it makes sense: Reducing our use of plastic bags helps stores reduce costs, lowers government expenses associated with landfills and recycling, and conserves resources, like the natural gases and oil used to make the bags.⁶⁸

The thrift ethic also teaches us to find creative uses for any plastic bags that do end up in our kitchens: to line trash cans or litter boxes, to tote library books, to separate wet clothes from dry in a suitcase, or to use in crafts like purses and belts crocheted from plastic bag “yarn.” As any thrift enthusiast will tell you, given limited resources, thrift summons creativity. It’s consumerism—with its “use it, toss it” mentality—that is uninspired, bland, and boring.

18. Thrift encourages recycling.

Reduce, reuse, and recycle: It’s a phrase that every kindergartner seems to know. And their favorite television characters—Dora, Arthur, and the Sesame Street crowd—promote the “three Rs of recycling” as enthusiastically as they promote the traditional three Rs. But thrift is more than rote recital of the recycling principles. It provides a moral framework to help students understand *why* they should recycle. When students understand that they are stewards of the resources they inherit and when they feel responsible for what goes on in the world around them, they may be more motivated to drink juice from a reusable bottle rather than a box, to wear hand-me-downs or clothes bought at a thrift store, and to encourage mom and dad to recycle and compost.

Recycling is not only kids' stuff. It is also conducive to economic development. According to the U.S. Recycling Economic Information Study, the recycling and reuse industry employs over 1.1 million people, grosses over \$236 billion in annual revenues, and contributes \$12.9 billion a year to local, state, and federal tax revenues.⁶⁹

And while recycling is great, “pre-cycling” is even better. Because the process of recycling still creates pollution and uses energy, it’s better to reduce consumption in the first place, which is exactly what pre-cycling is. Simply defined as “purchasing wisely to reduce waste,” pre-cycling sounds happily similar to another word: thrift.⁷⁰

19. Thrift conserves natural resources.

At the core of the conservation movement is the thrift principle of wise use and efficient management.⁷¹ It has long been this way. In *Thrift and Conservation: How to Teach It* (1918), James F. Chamberlain, a lecturer and writer on conservation, and Arthur H. Chamberlain, the educational director for the American Society for Thrift, teamed up to educate teachers on what they considered to be the latest Progressive movement: thrift and conservation. The writers don’t make much of a distinction between the two concepts; rather, they see both movements as two strands of the same cord. In one sentence they applaud conservationist Teddy Roosevelt for the creation of national forest. In the next sentence, they trumpet the importance of the thrift campaign—with its war on waste—to the success of World War I.⁷²

This connection between thrift and conservation is summed up nicely in the words of “Old Uncle Thrift” in the 1923 Treasure Twins children’s book: “We will be a thrifty nation, when we all learn conservation.”⁷³

20. Thrift generates green growth.

If you look up the word thrift in the dictionary, you'll find that one definition is "vigorous growth of living things, like plants." There's even a pink flowering plant whose popular name is "thrift" in recognition of its hardy growth on rocky soil.

Because thrift connotes productive growth, it's no wonder that home and community gardens have long been favorites of thrift leaders. While no longer as common as they once were, gardens are experiencing a resurgence of popularity in America, particularly since the Great Recession. In 2009, forty-three million U.S. households planned to grow their own produce, which was a 19 percent jump from 2008. Fifty-four percent of these households cited saving money on food bills as the reason they garden, and 34 percent said that the current recession is motivating them very much or a fair amount.

While gardening is thrifty in the sense of growth, it is also thrifty in the sense of frugality. According to a study conducted by the National Gardening Association, the average food-gardening investment is \$70. The average estimated dollar return per season is \$600. Given the number of home and community gardens in the U.S., this means that the total return on the U.S. food gardening investment is \$21 billion.⁷⁴

HOW CAN I JOIN THE MOVEMENT?

1. FOLLOW US ON FACEBOOK

For updates, thrift tips, and articles, like the “Bring Back National Thrift Week!” Facebook page.

2. EDUCATE YOURSELF

Check out the resources listed in the appendix and those available at www.newthrift.org and similar sites like www.bringbackthriftweek.org.

3. EDUCATE OTHERS

If you are a teacher or youth educator, use this booklet to discuss thrift with your students. Or host a brown-bag lunch meeting at your workplace and give co-workers an opportunity to hear and respond to a presentation on “Why Thrift Matters.” Or, start a thrift club in your neighborhood where members can offer support and share ideas on how to live the thrift ethic daily. For example, Lori Blatzheim of Chanhassen, Minnesota, has written for personal finance blogs about her experience with founding a thrift club that meets monthly at her local library.

4. SAVE REGULARLY AND HELP OTHERS TO SAVE

Whether it's enrolling in an auto-save program at a bank, starting a Christmas club account at a credit union, or joining the America Saves program to receive free financial planning advice, find a way to save regularly. If you have children, find a community bank that offers student accounts. In some communities, banks and credit unions partner with schools to run school savings banks. Talk with local bankers and school administrators to see if this opportunity is available in your area.

5. BRING NATIONAL THRIFT WEEK TO YOUR ORGANIZATION OR COMMUNITY

From 1916 until 1966, Americans in cities and towns across the country celebrated National Thrift Week with luncheons, lectures, parades, and presidential proclamations. Students opened savings accounts and educational thrift materials were distributed at schools, workplaces, and churches. Each campaign was organized locally, with the National Thrift Committee serving as the organizational body that provided materials and support.⁷⁵

Today, we hope to launch a similar movement. In fact, in 2011 the city of Philadelphia became the first city in nearly fifty years to celebrate Thrift Week. Mayor Michael Nutter issued a proclamation about the virtues of thrift, and a Philadelphia Thrift Committee—composed of citizen leaders in banking, credit unions, financial education, business, community organizations, green activism, education, religious communities, thrift stores, and more—is being formed to plan future Thrift Week festivities. Each year Thrift Week begins on January 17, Benjamin Franklin's birthday, and runs through January 23.

For resources and support to bring Thrift Week to your community, please contact us:

Institute for American Values
1841 Broadway, Suite 211
New York, NY 10023
Tel: (212) 246-3942
Fax: (212) 541-6665
Email: info@americanvalues.org
Web: www.newthrift.org

6. WRITE TO ASK YOUR ELECTED OFFICIALS TO BRING BACK THRIFT WEEK

In the past, Congress passed resolutions in honor of Thrift Week and presidents issued proclamations. Write your elected officials and ask them to do the same today. A form letter and contact information is available on www.bringbackthriftweek.org/policy.asp.

7. HOST THE TRAVELING THRIFT EXHIBIT

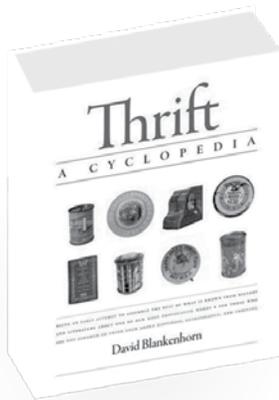
Featuring hundreds of primary-source documents and artifacts from the nineteenth century through the present, “Thrift: In Search of the Art of Living Well” conveys the history and evolution of thrift as a complex cultural value and encourages us to



Students from People For People Charter School tour the Thrift Exhibit.

reanalyze its meaning and possibilities for our generation. We can work with you to create a floor plan for the exhibit in your space. For fees and details, contact the Institute for American Values (see contact information above).

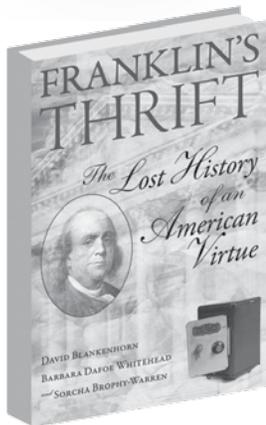
APPENDIX



Thrift: A Cyclopedic

BY DAVID BLANKENHORN
(TEMPLETON PRESS 2008)

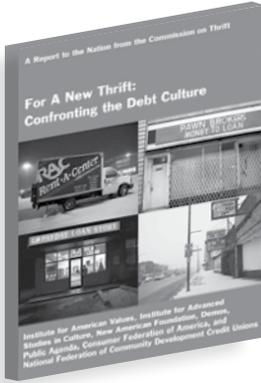
This book is an extended reflection, and a preliminary bringing together of knowledge, on the English word “thrift.”



Franklin's Thrift: The Lost History of an American Virtue

BY DAVID BLANKENHORN, BARBARA DAFOE WHITEHEAD, AND SORCHA BROPHY-WARREN (TEMPLETON PRESS 2009)

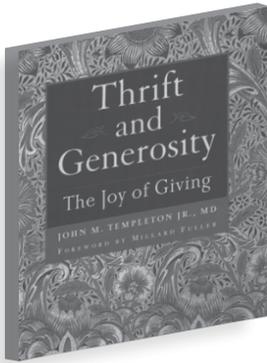
Americans today often think of thrift as a negative value—a miserly hoarding of resources and a denial of pleasure. *Franklin's Thrift* challenges this state of mind by recovering the rich history of thrift as a quintessentially American virtue.



For a New Thrift: Confronting the Debt Culture

A REPORT TO THE NATION FROM
THE COMMISSION ON THRIFT
(BROADWAY PUBLICATIONS 2008)

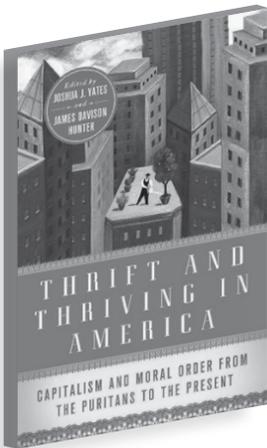
“One of the most important think tank reports you’ll read this year.” —David Brooks, *New York Times*, June 10, 2008



Thrift and Generosity: The Joy of Giving

BY JOHN M. TEMPLETON, JR.
(TEMPLETON PRESS 2004)

What is thrift? In this inspirational gift book, Dr. Templeton contends that a thrifty person is not a mere cheapskate. Whereas a cheapskate saves money to hoard it selfishly, a thrifty person lives frugally in order to be a good steward of resources and to contribute something to the world.



Thrift and Thriving in America: Capitalism and Moral Order from the Puritans to the Present

EDITED BY JOSHUA YATES AND
JAMES DAVISON HUNTER
(OXFORD UNIVERSITY PRESS 2011)

Thrift and Thriving in America is a collection of groundbreaking essays from leading scholars across the humanities and social sciences on the seminal importance of thrift to American culture and history.

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14. Thrift education is distinct from but complementary to financial literacy. While financial literacy education equips students with the skills needed to manage their money wisely, thrift education has a broader conceptual framework—one that includes personal finance skills but is not limited to them. Thrift education is interdisciplinary and can easily be incorporated into math, English, history, government, economics, and even science. It gives students an ethic through which they can think about a variety of contemporary issues, including taking care of the environment, growing one’s own fresh food through community gardening, and wisely saving and consuming in a debt culture. In this way, thrift education is a kind of character education that teaches the virtue of thrift alongside the practical skills to achieve financial independence and a sustainable lifestyle.

Thrift education also has a specific pedagogical tradition, rooted in the thrift movement. There is a treasury of forgotten history of great stories and a diverse group of thrift heroes and visionaries. If one looks at the thrift curriculum developed by these visionaries and used by schoolteachers in the first half of the twentieth century, one realizes that the method of teaching thrift is incredibly hands-on. To acquire the virtue of thrift requires practice, and schoolchildren of the past practiced thrift by depositing coins weekly into their school savings accounts, by joining thrift clubs, and by working in school gardens.

In short, thrift education means teaching students the ethic of wise use. While this is done in part by studying the lives and wisdom of historical thrift heroes, students must also put these lessons into practice. In this way, the thrift ethic becomes a lens through which students learn to make wise decisions in contemporary situations.

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