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"Unequal Wealth and Incentives to Save."

RAND, 1700 Main St., P.O. Box 2138, Santa Monica, Calif. 90407–2138. 37 pp. $6.00
Author: *James P. Smith*

Are Americans saving enough for retirement? No, says Smith, a RAND economist. Those in the baby boom and successor generations, especially the poor among them, should be saving more.

Why aren't they? Smith begins by analyzing the enormous gap between rich and poor. Among households with at least one member in his or her fifties, for example, the top five percent have average equity or assets of $843,598, according to a 1993 survey, and the bottom 10 percent only $923. Surprisingly, financial inheritances do not explain much of the difference. Subtract all inheritances from family wealth [see chart], and the vast inequality of wealth remains.

What accounts for it? Not race or ethnicity, Smith says. True, the average white family with at least one member age 70 or older has $90,000 in equity or assets, according to a 1994 survey, while comparable black households have only $17,000. But most of the racial disparity in wealth, he says, is due to income differences. More income means more wealth, regardless of race. Indeed, a comparison of whites and blacks *with the same income* in the above group reveals that the white families have even less wealth than the black families: $11,000.

Income is not the whole story, Smith argues. Even after wealth acquired thanks to higher incomes is factored out, the top five percent of elderly white families still had 1.8 times as much wealth as the median household. The wealth of the bottom 10 percent was only three percent of the median.

Low-income households, Smith concludes, save at much lower *rates* than those with higher incomes. Why? He offers several reasons. One is that divorce and single parenthood are more common among the less well off. Assets that might otherwise be combined in one household are split. But beyond that basic fact, Smith finds "that marriage strongly encourages savings behavior." Families headed by married couples in their fifties have almost four times as much wealth as those headed by divorced or never-married people.

A second factor, he says, is that people with health problems—disproportionately the poor—are less able to work and have higher medical expenses.

The economist also contends that public policy has discouraged the poor from saving. Asset limits for Aid to Families with Dependent Children (AFDC) and other means-tested "safety net" programs are "shockingly low," he points out. Only $1,000 in household wealth is enough to disqualify one for AFDC. "What incentive does a poor family with $800 in assets have to save an extra few hundred dollars over the next few years to safeguard against some unforeseen emergency?" he asks.

Social Security is the main form of "wealth" low-income families will have in retirement. When the safety net programs are also taken into ac-

How the Rich Get Rich

(Households with at least one member age 51–61, in 1993)

Percentile	Household Wealth	Portion from Inheritance	Wealth minus Inheritance
95	$843,598	$62,957	$780,641
90	504,278	34,900	469,378
70	193,152	14,009	179,143
50	97,506	7,767	89,739
30	39,563	5,644	33,919
20	16,352	5,383	10,969
10	923	0	923

count, many such families "may be better off when they retire than they are now." And that, Smith argues, further discourages saving.

But Social Security may not be able to provide such support in the future. His proposal: revise Social Security to provide only "a minimum decent standard of living" in old age. Health insurance should be redesigned to protect against genuine health risks but not to subsidize all medical care. He also favors a consumption tax or mandatory deductions from income for future retirement. Changes of this sort, Smith believes, are needed to create a sustainable retirement system—and to foster more realistic saving practices among Americans.

"Realigning Journalism with Democracy: The Hutchins Commission, Its Times, and Ours."

The Annenberg Washington Program in Communications Policy Studies of Northwestern University, 1455 Pennsylvania Ave. N.W., Ste. 200, Washington, D.C. 20004-1008. 39 pp. Free.
Author: *Stephen Bates*

Today's news media are often indicted for sensationalism, frivolity, distortion, bias, and other sins. Perhaps a baker's dozen of high-minded academics should be assembled to set journalists straight on what freedom of the press means, and what the press's obligations are. Roughly a half-century ago, that is just what happened, observes Bates, a Senior Fellow at the Annenberg Washington Program.

Headed by Robert M. Hutchins, president of the University of Chicago, and underwritten by *Time* editor-in-chief Henry R. Luce, the Commission on Freedom of the Press began its ruminations in 1944. Harvard University philosopher William Hocking favored government regulation of the press and making press freedom conditional on press "responsibility." Beardsley Ruml, a former University of Chicago social scientist, proposed having a federal agency license newspapers. Harold Lasswell, a former University of Chicago political scientist, suggested that the government regulate the content of monopoly newspapers. "Instead of breaking up the paper . . . give it over to public utility regulation," he advised. In the end, such far-reaching schemes were scrapped in favor of one central recommendation: that a private agency be created to watch the "watchdog" of the press. "Does there not have to be a continuing commission of some sort," asked Hutchins, "a commission on the order of this one, to do the double task of educating the public on what it ought to demand and educating members of the press [on] what they ought to supply?"

Journalists (besides rejecting the term *journalist* as too pompous) "placed a great deal of faith in the common citizen," Bates says, and viewed themselves as serving and representing the public. In the eyes of Lasswell and others, however, the ordinary citizen "was ill-informed, emotional, and dangerously susceptible to demagogues. Their solution was to shift power . . . to level-headed scientific experts—that is, themselves."

When the commission issued its 133-page report, *A Free and Responsible Press*, in 1947, Hutchins and some of his colleagues expected a grateful press to beseech them to launch the recommended press-watching agency. Instead, the press dismissed the report as "disappointing," if not dangerous. Colonel Robert McCormick, the *Chicago Tribune*'s owner, called it the work of "a gang of crackpots."

Today, the gap between journalists and the professoriate has narrowed, Bates notes. Sensationalism has migrated to TV and decreased in newspapers. Reporters and editors are more "professional," better paid, and better educated. Indeed, Bates says, a new Hutchins commission would have to ask if press and public have not grown too far apart.