

## **Introduction:**

### *Economic Philosophy and the Problem of Rational Choice*

When I ask Tony Benbow,<sup>1</sup> “*would you rather take a free prize of \$1,000 today or \$2,000 in three years, which would you take and why?*” Tony only needs one breath of air to respond: “I’d take \$1,000 now, cause there’s things (sic) I’d like now, and maybe I could get a car now with some money I already got (sic) and that. Waiting ‘til I’m 21 for \$2,000 – well, that’s all that time with no car!” Damien McAlpine, another interviewee, shares several traits with Tony. Both are African-American high school seniors who reside in lower-income areas of Boston. In fact, based on their school enrollment, both could be considered legally disadvantaged.<sup>2</sup> Like Tony, Damien does not yet have a car he can drive. Despite their similarities, Damien offers a much different response to the same question: “\$1,000 now or \$2,000 in three years? Hmm, [pause] well I guess it would be \$2,000 when I’m 20. Right now I’m 17, and I don’t have as much needs (sic) as I will when I’m 20 and have real life bills. And I can wait – its \$1,000 vs. three years down the line you get \$2,000 when you need it.” Popular codes of ethics might label each of these young men as ‘wrong’ or ‘right,’ while classical economics might deem one ‘rational,’ the other ‘irrational’ in his

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<sup>1</sup> These names are pseudonyms for participants in my 2003 and 2004 interviews with Boston-area young adults.

<sup>2</sup> Tony attends a Title I high school that receives federal funds for its underprivileged youth; Damien is enrolled in a school program for underprivileged minorities.

economic choice. Such labeling does little, however, to elucidate the process and reasoning by which both young men come to opposing decisions. What about each youth leads him to view the same choice but arrive at a distinct decision and rationalization?

The study of economics recognizes that the individual and his choices are the basic unit of all economic activity. Individual decisions, in aggregate, create what is normally referred to as “the economy.” Classical economists such as Adam Smith and his disciples argued that every individual makes decisions that act in his or her best interest (Smith, 1776). Neo-classical and utilitarian economists have taken Smith’s argument an extra step further, arguing that individuals will utilize all the information available to them to make the *rational choice* that maximizes their personal utility.

Unfortunately, this view of the “economic man” falls short of modeling reality. A number of theorists (e.g. Katona, 1975; Thaler, 1990) have complained that the neoclassical model of the rationally behaving economic individual is overly simplified. The rational choice model of economics conceives all people as automatons that make the same decision, given equal circumstances. However, the integrative field of modern sociology tells a different story of the decision-making process, emphasizing the importance of the individual’s unique psychology and social background in influencing his or her judgment.

Only from the integrative perspective of economics, sociology, and psychology can one begin to understand why people like Tony and Damien behave in different ways when faced with the same set of economic choices. The

seminal reasons for why and how they come to behave differently deserves further examination. Consider then that every individual has a certain *economic philosophy*, a set of rules, beliefs, opinions, ideas, and attitudes that frames both how the individual approaches a given economic decision and guides his decision to a particular choice. The differing economic philosophies of individuals explain *why* they exhibit differing economic behaviors when faced with the same situation. Consider also that an individual, over time, develops his economic philosophy in the process of *economic socialization*. As economic philosophies are varied, so too are the processes of economic socialization.

That economic philosophies vary is implicit in the vast range of choices each person has in methods of payment, options of consumables, discretion over work hours, and the long list of financial instruments for saving. The reader is surely familiar with one person who “as a rule” refuses to use credit cards, but will actively use a debit card. Others, with a very similar socio-economic background, job, income, race, and gender may believe that regular use of a credit card is important for “building” credit. The reader may also know two individuals, one who proclaims the attitude that “you could die any day, so it is best to enjoy money while you can” and another who emphasizes “the need to save now to enjoy a long retirement.” These represent differences in economic philosophy, and one would expect dissimilar economic behaviors from the two individuals given a variety of decision-making situations. Perhaps Tony and Damien’s disparate responses to the prize offerings are indications of more seminal differences in their economic philosophies.

For a variety of reasons which merit exploration, different economic behaviors, for instance, “diverse investment” of one’s savings, are more prevalent within certain socio-economic status groups (Federal Reserve, 2003). This begs the question as to whether certain economic philosophies have class-oriented tendencies. One must not assume, however, that economic philosophy can be determined through observation of economic behavior alone. Consider a family of four with an income of \$13,000. The heads of the household might believe that saving for their children’s future education is a very important goal because they perceive education as a necessary tool for upward class mobility. However, one might observe zero savings from such a family, as they must spend their entire income fulfilling basic needs. Because of this reality, it is not enough to observe economic behavior as the sole determinant of economic philosophy. Qualitative surveys or interviews can both explore the reasoning behind decisions and identify those decisions made out of necessity rather than one’s actual desires. Combined with quantitative data, such interviews explore the dichotomy that sometimes exists between one’s aspirations and economic limitations.

The new research that follows focuses specifically on the young adult, at or near age eighteen. It is near this age that an individual can legally begin to behave independently in the formal economy, juggling the responsibilities of income, expense, and work choice. Much research has been conducted to explore the economic philosophy of the “adult” Baby Boomer/Generation X cohort across all socioeconomic classes. Now, their children on the verge of adulthood can be

investigated as well. What questions might we attempt to answer in this endeavor?

- 1) On the verge of adulthood, how “developed” are the young adults’ economic philosophies? Do they have an understanding of economic terms? Do they contemplate the choices that will face them as adults? Have they already developed beliefs, attitudes, or rules that will guide them in the face of economic decisions?
- 2) Do young adults in differing socioeconomic backgrounds tend to share the economic philosophies of the older cohorts in their SES groups? This leads to the more important question:
- 3) What factors contribute to the process of economic socialization? Do young adults develop their economic philosophies through “osmosis” by observing their community? Do they develop from formal school instruction? What might be the role of parents?

These are the questions this research seeks to answer.

Chapter One of this work will seek to orient the reader to the existing theory and research on the apparent differences in economic philosophy that are observed in society vis a vis different economic behaviors and qualitative studies of expressed aspirations. It will provide the reader with a context for the new research presented in chapters two, three, and four, which uses interviews with thirty young adults to develop a model for the development of economic philosophy. Chapter Two will outline the methodology used to explore the economic socialization process by interviewing young adults of three distinct social backgrounds. Chapter Three will seek to explore the differences in economic philosophy among these groups. Chapter Four will look more specifically at the underlying process of economic socialization.

## **Chapter One:**

### ***Economic Habitus and the Economic Individual***

Having introduced the terms economic philosophy and economic socialization, along with the case of Tony and Damien, the logical next question would be: from what sources come the root differences in the lives of two individuals that lead them to be socialized toward opposed economic philosophies? I argue that the process of economic socialization rests a great deal on the individual's unique *habitus*, a term coined by the sociologist Pierre Bourdieu (1977).

Bourdieu's concept of habitus is a reproduction theory offering an explanation of why certain norms and mores persist from generation to generation, especially within a given socioeconomic status (SES) group. Bourdieu (1977) explains that, "The habitus is the universalizing mediation which causes an individual agent's practices, without either explicit reason or signifying intent, to be none the less 'sensible' and 'reasonable' " (p. 79). One can think of this 'universalizing mediation' as embodied by the effects of one's environment and personal experience that drive a person to adopt a certain rubric of norms. To take an apt and appropriate definition by MacLeod (1987), "Put simply, the habitus is composed of the attitudes, beliefs, and experiences of those inhabiting one's social world" (p. 13). The key to the idea of habitus is that it is self-reproducing. The people in one's social world engender a certain habitus that tends to get reproduced in others. A paradigm of this process is the variety of ways in which children come to understand the world based on their interactions

with the adults in their environment, including, but certainly not limited to, the process of economic socialization. According to Bourdieu (1977), one of the primary affects of the habitus is to produce a “commonsense world endowed with *objectivity* secured by consensus on the meaning” (p. 80). The habitus instills ‘objective’ truths in those who reside in the habitus. This sense of “objectivity” is of course inherently unstable, since according to Bourdieu’s definition, it rests on *subjective* conditions that will differ among various groups. Still, those reside within a particular habitus gain from that habitus a particular feeling of an objective normality. Additionally, habitus is a historical concept, meaning that the individual and collective practices it motivates are only objective norms in their historical context, and certainly can differ from person to person with time and place. Although Bourdieu does not explicitly state this, one can even imagine a case where a single individual’s habitus can change in the course of his lifetime, leading him to reevaluate his sense of norms and attitudes. Let us assume that such inter-lifetime paradigm shifts are rare.

This chapter seeks to develop a basic model of the economic individual in which people’s sense of objective economic norms are socialized in distinct ways based on their *economic habitus*. One can think of the economic habitus as simply the subset of factors of the habitus that affect economic behavior; as Bourdieu uses the term, habitus as a concept also involves many non-economic choices involving a range of tastes and behaviors, but which are not central to this study.<sup>1</sup> I will look at the reasoning behind individual/household decisions to

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<sup>1</sup> Consider from here on that my use of the word habitus means *economic habitus*, except in quotation.

spend and save, noting that two individuals, controlling for many variables such as, income, background, and household composition may make disparate decisions when faced with similar choices. Then I will explore some of the different prevailing economic philosophies, and how, if at all, they are associated with certain socioeconomic status (SES) groups unique to a distinct economic habitus. This will guide our thinking when looking at young adults from varying backgrounds in the following chapters. Finally, this chapter will explore research in economic socialization to see how views, beliefs, and attitudes are developed to simplify the decision making process.

### **Inequality in America**

Before I delve into the topics of “economic individual,” it may help to explain why economic philosophy and economic socialization are important topics of interest. As both a sign and component of habitus, economic philosophy may be one piece in the explanation of economic inequality in America.

If everyone in a capitalist society were equally well off, or if, at the least, everyone were happy with their economic position in life, there would be little motivation to explore the idea of individual economic philosophy. However it is clear that not everyone is equally financially “well-off” (Census Bureau, 2002), nor is everyone happy with their present economic status (Veblen, 1899; Duesenberry, 1949; Stanley and Danko, 1996; Schor, 1998). Among various factors, the level of a person’s income, wealth, or financial assets is strongly affected by the choices he makes, guided principally by his own economic

philosophy, and subject as well to the vicissitudes of fortune. A person may choose a lower-paying job in favor of more leisure time, or choose less consumption in favor of higher savings. The aggregate of a person's choices has a major effect on her economic position at any one time.

There are of course, other factors, beyond an individual's decision-making capacity, that affect an individual's economic position (income and wealth) and "life chances." One group of reasons is sheer, unexpected windfalls (positive or negative), such as winning the lottery or losing a massive lawsuit (I: reasons of chance); but such events are rare occurrences and do little to explain overall inequality in America. A second set of factors explore how one may be born into a richer or poorer family with varying resources, and this position at birth or during adolescence may profoundly affect a person's status throughout life for a variety of reasons (II: reasons of birth) (See Mayer, 1997 for an extensive analysis). Third, there may be constraints on an individual's choices outside his or her control (III: structural reasons). A simple example would be a serious mental or physical handicap that limits a person's income earning potential, or more basically, differences in "innate mental ability" which constrain an individual's potential skill development. Another structural restraint includes macroeconomic issues like economic downturns. A more profound, systemic constraint is epitomized in historical *de jure* racial segregation and lingering *de facto* segregation and racism.

Many longitudinal studies have looked at the birth and structural set of constraints on people's decision making in order to explain inequality. Oliver and

Shapiro (1997) conducted an in-depth study of differences in the income of whites and blacks with the same levels of education and similar employment in the same parts of the United States. They concluded that the differences in income could only be explained culturally and historically by factors such as racism, or the low numbers of black Americans in the 20<sup>th</sup> century who could benefit from any financial inheritance. In their work, Oliver and Shapiro differentiated between three important but distinct types of inequality: inequality of *income*, *net worth* (the sum of net assets minus liabilities), and *net financial assets* (the sum of net assets minus debts, excluding home equity or debt). Oliver and Shapiro reported on differences in income, net worth, and net financial assets in America (across all races) using data from the census bureau’s 1988 Survey of Income and Program Participation (SIPP), Wave Four.

Table 1-1: Share of incomes and assets by income brackets, 1988			
HELD BY	% Share of Income	% Share of Net Worth	% Share Net Fin. Assets
Top 0.5%	2.2	7.8	13.9
Top 1%	4.1	11.6	20.1
Top 10%	26.0	47.3	67.4
20%	43.3	68.2	86.9
40%	68.7	89.8	100.6*
60%	85.6	98.6	102.8*
80%	95.8	100.5*	102.9*

\*Oliver and Shapiro include negative assets, leading to some outcomes greater than 100% (From Oliver and Shapiro, 1997, p 69).

Oliver and Shapiro argue, convincingly, that much of the differences in net worth and net financial assets held by the various quintiles are explainable by birth and structural constraints on the income potential of blacks before the civil rights movement.

Alluding to a more systemic dilemma, involving people of all races, they cite a 1979 study by Thomas Dye, *Who's Running America*, which concluded that the wealthiest Americans increasingly come from wealthy backgrounds. Why might that be? Inheritance or the ability to establish oneself in an existing family business is one set of birth explanations that Oliver and Shapiro offer. Domhoff (2002) offers an extensive analysis of how powerful connections and entrenched authority can be used to perpetuate wealth among the upper class and elite (a mostly type II, birth explanation). Oliver and Shapiro also offer structural explanations of constraint on choices, such as lower tax rates on capital gains compared to wage income, or issues of racial preference in the labor market, as the lower quintile of American income is markedly more populated by black Americans. In one study, black children were found to be five times as likely as white children to be poor, and eight times more likely than white children to be persistently poor during their childhood (Corcoran and Adam, 1997, pp. 515). Such arguments discount the theory of social mobility in favor of reproduction theory.

Oliver and Shapiro hint at a fourth possible explanation for the reproduction of inequality – the aforementioned “choice” explanation – when they explain that whites are more diversely invested than blacks. They present a tabular breakdown (1997, p. 106) from the 1988 SIPP study, showing asset allocation for blacks and whites, excluding from their table households that do not hold any wealth assets. They found that white Americans, on average, hold 49% of their equity in their home and vehicles, while black Americans, on average

hold 72.5% in the same assets. Whites hold the other 51% of their wealth in such financial assets as real estate (not primary residence), businesses, money deposits in banks, stocks, IRA/Keogh retirement accounts, and bonds. Only 27.5% of black wealth is invested in this manner. These findings suggest a difference in economic philosophy. Could it be that positive views of diverse investment are passed down from generation to generation in some families or social groups while not discussed or negatively viewed among others? Such intergenerationally reproducing differences would be at heart differences in a family's or group's economic habitus.

In essence, the factors I have called *birth*, *structural*, and *choice* are each reproduction theories that attempt to explain why the wealthy tend to come from wealthy backgrounds and the poor tend to come from poor backgrounds. While I have just argued that choice is a product of one's economic philosophy, and thus one's habitus, the habitus is, in itself, a product of both birth and structural factors in every person's life. Corcoran and Adams (1997, p. 462) list four birth and structural models of causality for "intergenerational poverty":

- 1) Parents' lack of economic resources hinders their children's development and ability to find steady well paying jobs because parents must allocate their income to basic needs and present consumption rather than to their children's development; poor families are unable to afford neighborhoods with low crime and good education where children develop well.
- 2) Parents lack the non-economic resources necessary to aid their children's development such as less parental education, less family stability or parental supervision time, or they pass on to their children lower innate mental ability, or IQ, which perpetuates intergenerational inequality.<sup>2</sup>

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<sup>2</sup> Corcoran and Adams cite the following research in support of this model: Herrnstein, R. J. and C. Murray. 1994. *The Bell Curve: Intelligence and Class Structure in American Life*. New York: Free Press.

- 3) When use of welfare is prevalent among a community and there is no stigma attached, it encourages poor work habits that are passed on to the next generation.<sup>3</sup>
- 4) A social problem exists in the labor market based on history and demographics, which disproportionately affects certain groups. [Argument used by Oliver and Shapiro].

Each of these models ties to differences in habitus. In model one, limitations on parents' income restrain the kinds of communities their children will grow-up in and thus control the community habitus of the individual. Model two directly concerns the parents' role in creating a habitus for their children through the level of quality and quantity of parent-child interactions. Model three suggests a community norm that is itself an aspect of habitus intergenerationally reproduced. Model four alludes to the attitudes and beliefs that children will encounter in their communities – again, aspects of the habitus. Corcoran and Adams supported all four models, but most strongly emphasize the first as an explanation for intergenerational poverty. Therefore, one of our goals should thus be to assess differences in parental resources and attitude and the effect they have on a young person's economic development. Further research demonstrates a correlation between a child's habitus as a factor of her parents' education, and that child's eventual education attainment. Axinn, Duncan, and Thornton found that both parental schooling and parental needs-to-income ratio<sup>4</sup> were associated with additional years of child schooling by age twenty-three (1997).

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<sup>3</sup> Corcoran and Adams cite the following research in support of this model: Mead, L. 1986. *Beyond Entitlement: The Non Working Poor in America*. New York: Basic Books. And also; Mead, L. 1992. *The New Politics of Poverty: The Non-Working Poor in America*. New York: Basic Books.

<sup>4</sup> Needs-to-income ratio here meaning the amount needed for basic needs, as determined by official US poverty thresholds, divided by parental income.

The research we have looked at so far has begun to suggest a “the apple doesn’t fall far from the tree” model for what we may simply refer to as “life chances” (income, job, educational attainment). As suggested by Bourdieu’s definition, the habitus created by parents serves strongly to socialize children. Because of the parent-child connections demonstrated by prior work, it will be important in any assessment of economic philosophy, including career and educational aspirations, consumption habits, and saving habits, to see if young adults are strongly influenced by parental guidance or example. Two of the most important observable economic behaviors that we might consider (and that eventually might offer insight as to how the economic philosophies behind these behaviors are developed), are choices of spending and saving.

### **The Needs, Influences, Trends and Psychology of Saving and Spending**

In the previous section on various types of inequality we noted that some aspects of inequality could be explained by choice. The most important choices that affect one’s future levels of income or wealth are those by which individuals make a tradeoff between consumption (including consumption of leisure-time) and saving.

“Why do people save at all?” is a question not overly simplistic for this exploration of how economic philosophies are developed. Why don’t individuals consume the maximum amount allowed by their income each year, rather than saving (or dissaving<sup>5</sup>) some portion of it? At any time, an individual is faced with

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<sup>5</sup> Dissaving is simply the act of negative saving, that is the accumulation of liabilities, or debt through credit or borrowing.

a decision between present and future consumption of goods, services, or leisure time (not working). This immediately lends to models in which the “rational” consumer chooses to save or dissave at certain points in life. Such well-known models in the world of economics include the Permanent Income Hypothesis (PIH) by Friedman (1957) and the Life-Cycle Hypothesis (LCH), from which many scholars of the 1950s and 1960s deserve credit. The Permanent Income Hypothesis states that households will tend to consume based on their “normal” income. That is, though income may vary slightly from month to month, or even year to year, people expect to earn a certain amount over a given long period of time and thus smooth out these fluctuations through saving or dissaving when appropriate. The Life-Cycle Hypothesis extends the Permanent Income Hypothesis over an entire lifetime, arguing that younger households will dissave in anticipation of higher earning in middle years; during the middle years they will pay off debt and amass wealth through higher savings; finally in later years the household will again dissave drawing down on its wealth in retirement. The acts of saving or dissaving provide the household with a near constant standard of living.

Neither of these older models is perfect or an explanation of all individuals’ behavior, even if one erroneously were to consider all consumers as “perfectly rational” in the sense of neo-classical economics. During the 1950s and 1960s, Americans on average saw absolute gains in their standard of living as a result of tremendous strides in the productivity of the United States. Also there are individuals who don’t think cyclically but follow doctrines of extreme

frugality, excessive consumption, or some other variation. Finally, the LCH necessitates access to credit during early years; however, access differs among households. Thus, one might ask, “is the consumer rational, or is he irrational?”

According to Katona (1975), this is the wrong question to pose:

The consumer is a human being, influenced by his past experience. His sociocultural norms, attitudes, and habits, as well as his belonging to groups, all influence his decisions. He is apt to prefer shortcuts, follow rules of thumb, and behave in a routine manner. But he is also capable of acting intelligently. When he feels that it really matters, he will deliberate and choose to the best of his ability. (p. 218)

The research that will follow will consider the “economic man” to be an individual characteristically described by Katona’s model, neither rational nor irrational, but rather *historical* in the sense that one is influenced by his life’s experience. Katona argues of the importance of one’s environment and experiences in socialization. One develops an economic philosophy intentionally because it is more convenient than cognitively processing all the variables involved in a decision with each new choice, and unintentionally as a subconscious process of socialization to certain norms, influenced by one’s environment and experience. Thus, the habitus influences us as individuals to adopt a certain economic philosophy that guides and simplifies our decision-making.

In light of Katona’s consumer, we must look more deeply at the reasons why people choose consumption versus savings, or in other words, why some choose consumption in the present instead of consumption later. Katona (1975, pp. 233-234)<sup>6</sup> took on this question himself and found that, when they are able, people saved for the following reasons in this order of importance: 1)

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<sup>6</sup> This summary of Katona is provided in Wärneryd 1999 p. 171

emergencies, 2) retirement, 3) children and family needs, 4) other purposes (e.g. to buy a house, business, to buy durables, or pay for vacations and other trips). Few respondents said they saved to earn additional income from interest or dividends, and a few mentioned plans to bequeath money to heirs. Note that arguably all of Katona's findings are still congruent with the permanent income and life-cycle hypotheses (or even demanded by them) but so far we have only looked at the reasons for saving, not the proportions of income saved, the differences in which are not fully accounted for in these two models. Wärneryd (1999, p.189) posits that, as demonstrated in many studies, in aggregate, saving adults tend to state an order of reasons for the marginal dollar saved that differs slightly from Katona's model. First, there is "cash management" saving – the use of some basic account to store money between income paid and consumption, and to put residual income (this form is notably demanded by in the PIH). Next, when able, savers build a buffer or rainy day fund (possible, but not demanded in the PIH). After the rainy day fund, they save for specific purchases (also possible in PIH). After saving for specific durable goods, savings moves into a wealth management category (demanded by the LCH) in which consumption is withheld in order to invest money to increase its value for future use. In a 1991 study by Wahlund, a positive correlation was found between an individual's esteem for bank savings and the highest of Wärneryd's four levels of saving that they had reached.<sup>7</sup> Although these studies found reasons why people save that fit with both the PIH and LCH models, they also demonstrated that different individuals

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<sup>7</sup> Reported in Wärneryd, 1999

stress the need to save differently, suggesting that there is a highly subjective aspect to individual saving behavior not accounted for in rational choice theory.

Seeing now why someone might save, it is important to look at why a person consumes, and especially why a person might consume more than would be expected if the individual were rational under the PIH or LCH. Campbell and Mankiw (1989, 1990, and 1991) found that there were two groups of consumers in the U.S. of about equal size; one was comprised of liquidity-constrained consumers who spend all their current income, the other consisted of LCH (life-cycle hypothesis) savers. They also believed that the LCH pattern would be more prevalent among the rich (Wärneryd, 1999, p. 187). Their belief about the LCH pattern and the rich is self-evident. First, there may be some households that wish to follow a pattern described by the LCH, but cannot because their income is so low that all of it must be consumed every year. Meanwhile, higher income households have the ability to follow an LCH model. Second, those who follow LCH, as a rule, amass wealth during their middle years, unlike others who might rely solely on social security to fund their retirement. Therefore, we should expect to see more wealth in the hands of LCH households. Their larger finding that half of American households are liquidity-constrained, demands greater explanation. Certainly, one half of American households are not at or below the poverty line, and thus we can assume that not all of these households are restrained to spend on basic needs (Census Bureau, 2002). In order to solve this puzzle, we must look at the reasoning behind discretionary spending.

Thorstein Veblen (1899) argued that much consumption is driven by the desire to maintain and perpetuate class distinction. The United States has notably, if not questionably, been referred to as a land of class mobility where lower-class individuals strive to achieve a higher-class status. If one's class status is seen as a function of his or her ability to participate in conspicuous consumption, as Veblen argued, we may have one explanation for why Americans at all income levels wish for they earned more (Duesenberry, 1949; Schor, 1998). It is important to note that these aspirations were somewhat realistic in 1949 – a year that began a major growth period, during which real incomes grew at all levels. However, Americans' dreams of higher incomes have become even more pronounced today (Schor 1998), a topic I will return to ahead.

In the 100 years since Veblen, other theories have arisen that coexist with conspicuous consumption. Work by Bourdieu (1984), Lamont (1992), and Molnar and Lamont (2002) has explored how, in line with Veblen's work, people of all classes make certain consumption choices based on known styles that can be associated with particular groups or a certain SES. Leibenstein (1950) distinguished three types of social effects (read: motivations) on consumption:<sup>8</sup>

- 1) Bandwagon Effect: when more people adopt a product, the pressure to adopt increases for the consumers who have not yet adopted
- 2) Veblen Effect: a higher price is assumed to increase the consumption of certain goods: a reverse, upwards-sloping demand curve.
- 3) The Snob Effect: a product becomes more attractive when fewer consumers possess it.

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<sup>8</sup> As outlined in Wärneryd, 1999, p. 290.

All three social effects lead to increases in consumption. As social beings we consume certain objects as symbols meant to convey a message or meaning to other individuals. While Duesenberry recognized that incentives to increase consumption could arise from contacts with equal, lower or higher status groups, he believed that it was the frequency of association that gave greater or less impetus to the impulse to consume for status. In this sense, an individual's habitus can draw from multiple SES groups, but it will do so proportionally to the frequency of contact with each group.

Typically, the greatest social contacts for any individual would be those of similar (equal) social and economic status because people tend to have families and share neighborhoods with individuals of similar incomes. Having the greatest frequency of association with other people of similar SES, these same SES groups would have the greatest influence on an individual's consumption standards.

Duesenberry (1949) explains the typical and atypical pattern:

Consider two groups with the same incomes. One group associates with people who have the same income as they have. The other group associates with people who have higher incomes than the members of the group... The two groups have the same income but the first will be better satisfied with its position than the second. Its members will make fewer unfavourable comparisons between their consumption standard and that of their associates (p. 48).

Duesenberry alludes to what we might call one's *reference group*. As part of any individual's self-assessment, he will no doubt compare himself and judge his position based on the other individuals in his community (or some other group). Therefore, selection of a reference group will be a key force in guiding a person's spending and saving decisions. The concepts of conspicuous consumption and reference groups may be particularly salient for young adults, who, in their

adolescent stage may not be as secure with themselves, and thus, more concerned with what their peers think and with consuming the “right” goods.

Two recent books boldly illustrate differences in economic philosophies prevalent in middle-aged adults and focus on how reference groups can affect consumption and saving decisions, which in aggregate influence a person’s whole economic status, net worth, and net financial assets. One of these works, *The Millionaire Next Door*, looks at the surprising numbers of individuals with modest or moderate incomes who have a greater net worth than higher income individuals as a result of concerted efforts to save money and spend frugally (Stanley and Danko, 1996). In contrast, the other book, *The Overspent American*, takes its title from the millions of middle income Americans that “overspend” in a process of Veblenesque “upscaling,” and amass great deals of debt by living a lifestyle beyond their means (Schor, 1998). Both books acknowledge the existence of groups of like-income individuals that have diametrically opposed attitudes about spending and saving: upscalers and downshifters in Schor’s terms or under accumulators of wealth (UAWs) and prodigious accumulators of wealth (PAWs) in Stanley and Danko’s terms. The contrasts provided in both works are striking because they involve individuals with similar incomes who end up having very different levels of net worth or net financial assets. Schor and Stanley & Danko demonstrate that there are no particular spending and saving habits for any income bracket. Rather, households in any income brackets may be “upscalers” or “downshifters” (UAWs or PAWs). To put this work in the terms of this paper: differences in economic philosophy can, at best, only be partially explained by

differences in socioeconomic status, and therefore, one must actively seek other variables. At first this argument may seem at odds with the concept of habitus, but I intend to demonstrate that habitus is multifaceted, at least in the process of economic socialization, and that SES is but one of those facets.

As mentioned, reference groups influence *level of aspiration*, or in other words, a goal that people set for themselves with respect to some behavior as verified by MacLeod (1987), Stanley and Danko (1996) and Schor (1998). A person's own earlier experience (which includes SES status) "seems to be the most important determinant of the level of aspiration, but, in particular when the person is lacking in personal experience [such as young adults], reference groups appear to be influential," (Wärneryd, 1999, p. 295).

Schor remarks that during the 1980s and 1990s, the middle class dream expanded beyond the white picket fence, two cars, and an annual vacation, noting that the average person's spending increased 30% in real terms between 1979 and 1995 (1998, p.11). Schor points to a 1991 study by Susan Fournier and Michael Guiry, in which 35% of their sample aspired to be in a group they defined as the top 6 percent of American society, whose average income is \$250,000 (1998; p.13). She argues, "In a consumption system premised on differences, dreams will also differ," (Schor, 1998; p.14) pointing out that those making more than \$50,000 said they would need \$200,000 for total fulfillment.<sup>9</sup> These higher lifestyle desires may explain why "63% of households earning between 50k and 100k are now in credit card debt and why debt service as a percent of disposable

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<sup>9</sup> Data Source: Roper Center, University of Connecticut, Published in American Enterprise (May-June 1993, pg 87).

income is 18%” (Schor, 1998, p. 19). These desires for heavy consumption keeps savings low; the average American household is currently saving only 3.5% of its disposable income, about half the rate 15 years ago (Schor, 1998, p. 20). In light of these statistics, it becomes evident that individual decisions are influenced by a variety of social factors that can differ among different groups, or have absolute trends over time in a society.

Having looked at reasons why people both spend and save, one must realize that choices between consuming and saving are at heart choices between present and future consumption. While our desires to consume in the present come down to a question to basic needs and social influences, the ability to defer consumption now in favor of future consumption is a question of individual psychology and socialization. As early as 1888, Austrian economist Böhm-Bawerk concluded that humans prefer consumption in the present to consumption in the future due to:

- 1) Erroneous beliefs due to lacking imagination and ability to understand.
- 2) Weak will that makes people choose smaller utility now before a larger utility later.
- 3) Uncertainty about the future.

Alfred Marshall [1890] proposed a second, subjective discount rate involved in determining the utility of future goods (the first being the Böhm-Bawerk factors above), which is proportional to the length of time between the present and the consumption of the future good. The rate is subjective in that it will vary between two individuals based on their characters. Marshall ([1890] 1990, pp. 100-101) argued:

The rates at which different people discount the future affect not only their tendency to save, as the term is ordinarily understood, but also their tendency to buy things which

will be a lasting source of pleasure rather than those which give a stronger but more transient enjoyment; to buy a new coat rather than to indulge in a drinking bout, or to choose simple furniture that will wear well, rather than showy furniture that will soon fall to pieces.

Marshall believes in a character aspect, irrespective of rationality, that influences individual economic behavior in decisions between present and future consumption. What I will explore later is how such a character aspect proceeds from an individual's economic philosophy and is influenced by his habitus.

The psychological-economic differences just discussed are all possible explanations for the consumption-habit differences outlined in current popular texts (Stanley and Danko, 1996; Schor, 1998). That is, while there may be a trend of increased spending for a majority of Americans, we see variations at all income levels because of socialized differences in attitude regarding present and future consumption. Some of these differences may be innate characteristics, but suppose for now that these differences are socialized in every adult as some aspect of his or her personal development.

The theories of decision-making between saving and consumption we have looked at provide at least a partial explanation for inequality in America, that is, inequality in net worth or net financial assets, holding income constant. Having looked at the kinds of decisions people make, and why, we are now ready to explore how these individual economic philosophies are established. This is the process of *economic socialization*.

## **Economic Socialization**

Before an individual can develop attitudes, opinions, beliefs, or rules about how to behave economically, she must have some familiarity with the economic choices she faces and the typical or probabilistic results of these actions. Such familiarity may be directly instructed, it may arise from casual observation, or it may be learned through participation in the economy.

Research has demonstrated that children below age six have almost no understanding of the economy, while young adults have a more holistic understanding that helps guide their behavior (see summary in Roland-Levy, 1990). An adult usually continues to refine his economic philosophy over a lifetime. Here, we explore this process of *economic socialization*. Wärneryd (1999) gives us a refined modern definition of socialization in general:

In a broad sense, 'socialization' is the process in which an individual becomes a member of a social system. Children's economic socialization is the process through which children gain knowledge, understanding, and skills in relations to the economic environment, as consumers and at the work place. (p. 172)

Roland-Levy's (1990) definition of economic socialization: " 'a broad term for the whole process by which an individual develops through transactions with other people, his specific pattern of socially relevant behavior and experience' " (p. 470), postulates how socialization occurs. If we follow Roland-Levy, socialization is an experiential phenomena; individuals with differing experiences may be socialized in different ways, and therefore hold different economic philosophies.

At this point one might ask, "why is economic socialization important?" Economic socialization explains how young adults arrive at their early individual

economic philosophies. Young adults are an increasingly powerful force in the economy with rising levels of discretionary income (Furnham, 1996; Howe and Strauss, 2000). How young people choose to spend or save their increasing wealth has had an increased, albeit small, influence on national consumption and saving. Additionally, the economic socialization that occurs in youth no doubt affects the youth's choices for post-high school education and early career decisions as a young adult. As we have already noted, we are interested in differences in economic philosophy in part because it explains the "choice" component of inequality focused on by Stanley and Danko (1996) and Schor (1998), and alluded to by Oliver and Shapiro (1997).

As one would expect, research on economic socialization indicates that one's understanding of economic decisions and principles becomes increasingly developed and complex with age. Thus, a person's ability to develop a more complex economic philosophy increases with age. This research also concludes that children develop conceptions of the economy in a series of stages that parallel Piaget's theory of developmental cognitive stages.<sup>10</sup> By age 14, a young person has the cognitive capacity to comprehend a holistic model of the microeconomic economy, including how various factors are interrelated, and how economic decisions involve tradeoffs (Harrah and Friedman, 1990). In fact, by age 14, a youth should be able to give "near-adult explanations of economic events and relationships" (Stacey, 1982; p. 171). My research examines subjects aged 16-19 who are all likely to be at the same cognitive development stage, and have

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<sup>10</sup> For a review of these studies, see Furnham, 1996; pp. 12-15.

certainly passed this early adolescent threshold after which the economy is better understood. Environmental differences are more likely to explain observed differences in economic socialization across the same narrow age cohort than differences in cognitive development. Roland-Levy (1990) explains how increased experience leads to greater comprehension:

Applying these theoretical approaches to children's economic socialization implicates direct experiences, such as shopping, dealing with pocket money, taking the bus or going to school. For more complex and abstract phenomena, such as banking, inflation and international exchange, Furth (1978) sees interpersonal situations as equivalent to direct experiences of the economic world; he assumes that social knowledge grows as the field of the child's interactions gets wider (p. 471).

As a child's understanding of economic phenomena becomes more adult-like, he will be more likely to develop an economic philosophy to guide his choices whenever such phenomena are encountered.

The remaining question then is, "through what processes does this environmental socialization happen?" This will be the key focus of Chapter Four, but a variety of explanations abound in existing work, one of which being that a person's level of interaction with the economy and experience as an economic actor can influence his understanding of it. Certain studies have noted cross-national differences in the level of economic development of like aged children.

Roland Levy (1990), summarizes the results of such studies:

It appears that children in Malaysia (Hong Kwang and Stacey, 1981) Zimbabwe (Jahoda, 1982), and Egypt (Waines, 1983) are all more advanced than their Western counterparts [with regard to comprehension of monetary exchanges], primarily because they have had greater direct experience with work, buying and selling' (Lea et al. 1987: 384). Ng analyzes the exceptional maturity of the Hong Kong children as probably reflecting 'their high level of economic socialization and consumer activity, and the business ethos of the society at large. Socially, life would be difficult for them if they did not grasp social and economic concepts at an early age. Their maturity represents, in short, a case of social and economic reality shaping (partly at least) social and economic understanding, (Ng 1983: 220-221). (p. 476)

In all of the studies outlined, a more advanced understanding was a result of the more active role the youth in that society have in their respective economies as a result of cultural differences (read: differences in habitus) across the nations studied. Therefore, it will be of the utmost importance to see if similar differences *within* the United States, represented by the level of a young adult's participation in the labor force, contributes to any observed differences in his or her economic understanding and economic philosophy.

In addition to a young adult's own experience as an actor in the economy there is also the possibility that youths are socialized through the formal instruction of parents or teachers, or through of the observation of economic activity of friends, parents, or some other reference group. The role of public education in the economic socialization of young adults seems limited at best. Taking data from the Eight Annual Survey, *Who's Who Among American High School Students 1977*, when asked if their high schools had prepared them to understand economics and the American free enterprise system, sixty three percent responded that they had not been prepared (Oliverio,1982). Although this data is older, my own data in talking with students will support that these sentiments are still held. Rather than requiring specific instruction in economics, consumer behavior, or financial planning, Dittmar (1996, p. 78) reports that:

Cummings and Taebel (1978) demonstrated that American schools progressively orient children towards a favourable view of private property, material inequalities and the capitalist system. Furnham and Stacey (1991) conclude in a recent review of this literature that the socialization process is intended to promote acceptance of the social order and that, as a consequence, 'Teenagers, like adults, show a strong tendency to hold the view that there is a need for a greatly unequal distribution of incomes and goods, and to be positively evaluative of people with riches' (p. 183).

While American public education may socialize students to accept and conform to the guiding principles of market economics, it seems our society leaves the role of training youth to be consumers and savers largely to the private sphere. Dittmar reports on forms of socialization that fit with the Marxist reproduction theory as reproducing a particular social order, and can follow from some aspects of the habitus. However, the ideas presented by Dittmar are too political for the sense of economic habitus that I am using throughout this paper. I will focus more on aspects of habitus that guide personal economic choices rather than promote acceptance or rejection of the current class structure.

The most obvious source of economic socialization is a youth's parents. Even if a parent makes no conscious effort to instill certain economic values into their children, their children will likely observe their parents' behaviors and emulate it as they increase their activity in the economy. Instruction in economic values may be as simple as giving chores to children. Leiser and Ganin (1996) report that 3/4 of parents cite "developmental" reasons for making children do at-home chores, namely that the work develops responsibility and builds character. However, as children get older, their chores become more useful to the household as well.<sup>11</sup> Also parents are likely to be the first purveyors of money, the key economic instrument, to their children. Leiser and Ganin (1996) summarize four ways young adults can obtain money, 1) money given to children by parents on an as-needed basis; 2) a regular allowance, or pocket money; 3) paid work within the house (or perhaps within the neighborhood on small chores); 4) work in a 'real'

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<sup>11</sup> Leiser and Ganin cite work by White and Brinkerhoff (1981) supporting these conclusions.

part-time job. A fifth method, illegal activities, came up in my own research with young adults. Until young adults begin to work outside the home (the possible extent of which is limited before age 16), or engage in illegal activity, parents exercise direct control over their children's money making process, and may apply other controls in an instructional way over the possible allocations of this money. Another form of instruction, which I have explored, is parental anecdotes and advice shared with children about saving and spending. Consider that all of these factors represent parental influence on the young adult's economic habitus.

Finally, economic socialization may occur through a process that I often refer to as *osmosis*; that is, ideas picked up here and there through observation of a community or reference group, or habitus. Furnham reports that in his studies (1987) and those by O'Brien and Ingels (1987) that looked at the "economic values" of 16-19 year olds, socioeconomic status seemed to be the strongest predictor of economic values (Furnham, 1996; pp. 26). This can be explained, in part, by the finding that differences observed in economic socialization, are often a function of culture (Roland-Levy, 1990; Furnham, 1996; p. 19) and that youth are economically socialized primarily by their closest reference group, which is likely to be their family, neighbors, or classmates at school. Also, noting the obvious ties between SES status of parents and SES status of children, it will be important to look for links between parents and the economic socialization process, as parents are most likely the conveyors of their children's SES status and culture.

My goal is to explore how young adults develop an economic philosophy, not a political philosophy. To clarify my use of these terms, I will use economic philosophy to describe a person's ideas, attitudes, beliefs, and rules regarding personal earning and the use of money. I will ignore questions of political philosophy, which could include such *economic* topics as opinion, attitudes or beliefs on progressive taxation, trade policy, welfare reform, corporate oversight, or other macroeconomic issues. In order to best assess how economic socialization works, I have chosen to directly interview young adults from a range of environmental circumstances to assess their level of economic understanding, their particular economic philosophies, and how these young adults came to be economically socialized. The process and results of this study follow.

## **Chapter Two:** *Study Design and Methodology*

I am directly concerned with two questions, which the third and fourth chapters of this work will each attempt to answer. Chapter three will seek to answer the question, “*What is the economic philosophy of young adults?*” In answering this question I will point specifically to the following factors of economic philosophy

- How well “developed” is the young adult’s understanding of the economy? That is, how many concepts of personal financial choice does the young adult understand?
- How engaged is the young adult in the economy? That is, what is the young adult’s labor force participation, and how is a young adult’s discretionary income spent or saved/invested?
- What are the young adult’s attitudes, beliefs, and ideas that he or she uses to guide his or her decision making?
- How, if at all, do each of the above three factors vary based on the socio-economic status (SES) of the young adult? What are similarities and differences within and among different SES groups?

Chapter four will seek to answer the question, “*How is the economic philosophy of the young adult socialized?*” In answering this question I will explore differences among young adults in economic philosophy and make causal links isolating the factors of socialization. I will look directly at the role of

- Parents as a primary factor who, through direct intentional influence and in leading by example, work to economically socialize their children.

- The role of the neighborhood community, school community, and peers as sources of input that serve in the processes of economic socialization.

In answering both questions I seek to explore the role of the economic habitus as the cause for differences in economic philosophy and socialization. The kinds of information necessary from the young adults themselves to answer such questions call for qualitative interviews in which the young adults can outline their own behavioral and philosophical patterns and attempt to describe how they came to be. At the same time, the goals of the research demand that the young adult's interviewed hail from at least two distinct socioeconomic backgrounds.

This study focuses on high school seniors and a few juniors (young adults who range in age from 16 to 19). By choosing this age, I question participants who are at or on the verge of legal adulthood, able to act independently for the first time in a legal capacity when their own financial and work related behavior is concerned. Much of the young adult's cognitive development is complete, so he or she is able to comprehend among the moderately complex concepts of personal financial and economic decision making. Also, examining young adults at this age allows one to view their economic philosophy and the process of economic socialization that is mostly a factor of family, community, and school experience, because students are questioned before factors such as college experience or first full-time year round job come into play as possible influences on the process of economic socialization.

The structure of the public school system in the Boston metropolitan area provides a beneficial approach by which to compare the relative influence of the

role of school, community and parents as components of the habitus in the economic socialization process, while also looking at two disparate socioeconomic status groups. A nuanced approach to one independent variable, socio-economic status, will categorize the SES of participants into three groups based on the individual status of the participants' families, home communities, and their school communities. To the point, one can isolate the effects of both “school” and “home” by examining a group of students who are educated in communities that differ in SES from their home communities. Massachusetts state law prescribes a program which buses students from low income urban areas to attend high schools in higher income suburban communities. The legal design of the program corrects “racial imbalances” by sending minority students from urban public schools with more than 50% minority enrollment to other school districts with a more heavily Caucasian population.<sup>1</sup> As a result, Black, Asian, and Hispanic students from poor neighborhoods in Boston are bused to nearby wealthier suburban community public schools with a majority white population. These students are a self-selected group; parents of minority students at any of the eligible Boston public schools may register their student for the program with slots filled on a first-come first-served basis. This group of students provides us a more nuanced way of looking at the effect of socioeconomic status on economic socialization. Due to agreements with the coordinators of this program in order to obtain their assistance in contacting students, the proper name of the program

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<sup>1</sup> As defined in the Massachusetts General Laws Chapter 76 Section 12A.

cannot be mentioned here; it is however, the only program of its kind in Massachusetts. I shall refer to it simply as the *Busing Program*.

In order to compare the process and results of economic socialization between higher and lower income students, I chose to interview two primary groups of students in addition to students in the Busing Program. The first group of students, heretofore described as the *urban students*, are those who live in urban parts of Boston that can be described as poor or working class and who attend a Title I public school in Boston.<sup>2</sup> The second group of students, heretofore named the *suburban students*, are those who live in suburban communities that can be described as at least solidly middle class, mostly upper middle class, and in parts wealthy, and who attend the public schools in these communities. Students enrolled in the Busing Program, who will be called the *busing students* reside in the same or similar neighborhoods of Boston as the urban students, but through the Busing Program attend schools with the suburban students. Although the urban students may be any race, the Busing students must be minorities. The suburban students are typically white. However, race is not an independent variable being explored here. After developing models of the economic philosophies of the urban and suburban students, we can compare each group with the busing students as a way of observing the relative strengths of the various sources of habitus in the economic socialization process.

In an attempt to use as random a selection process as possible to obtain interview participants in each of the three groups, I sought cooperation from high

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<sup>2</sup> Reference is made here to the first amendment of the Federal Education Act of 1965.

schools to randomly select a list of students to be solicited for this research. Therefore, high schools had to be selected to match the desired groupings described above. I selected several communities that fit the background profiles I wanted through which to obtain students who fit the descriptions of each group. In order to obtain assistance from these schools, I promised each community full anonymity in this report of findings; hence the made-up suburban names in Table 2-1. Here is some background information for each community where high schools agreed to assist in soliciting a random sampling of students for this research.

	Boston	"Harborville"	"Battleton"	"Old City"
Average Home Value	\$200k-250k	\$400k-\$450k	\$450k-\$500k	\$550k-\$600k
Owner-occupied Homes	12%	80-90%	80-90%	60%
Average SAT Score	<900	>1,100	>1,100	>1,100
Family Median Income	About \$45k	About \$100k	About \$110k	About \$100k
Percent White	55%	95-100%	80-90%	80-90%
Percent Black	25%	<1%	About 1%	About 2%
Percent Asian	5-10%	<1%	10-15%	5-10%

Data from Massachusetts Statistical Website: <http://www.massstats.com>

All students from the urban group category hail from a single public high school in Boston, Massachusetts. This high school receives federal assistance under the provisions of Title I of the Amendments to the Elementary and Secondary Education Act of 1965. In short, this means that the federal government recognizes that most of the students in this school come from a disadvantaged background. The school educates students who mostly reside in Boston's poorer neighborhoods. The principal of this school explains that most of its student body are students whose parents could not afford a private or parochial school in the area and additionally who were unable to score high enough on city-

wide placement tests to attend Boston's prestigious and publicly funded Latin School.

It is important to recognize that among the entire possible population of Boston public school students, the highest scorers on placement tests are not part of the sample at this particular high school; and of course, students who have dropped out of school are also not part of the sample. However, being that my goal is to include the typical public school experience for low-income teens in an urban setting, I do not find these distinctions problematic. The key is that these students be representative of the average, low-income urban teen.

Students from the suburban category hail from one of two Massachusetts towns, each with exactly one public high school referred to with the pseudonyms Harborville and Battleton. Both Harborville and Battleton are similar in their "upper-middle class" profile as shown in the table above. Both are suburbs within 30 miles of Boston and both participate in the Busing Program, although Harborville had too few busing students in attendance to make sampling them worthwhile. Students from the busing category all reside in poorer communities in Boston, most of which overlap the communities in which the urban students reside. However, busing students attended one of three suburban high schools: the previously described Battleton High School, and the two public high schools located in what I shall refer to as Old City. Old City is similar in profile to Battleton and Harborville, and its own residents could have been used as part of the suburban group in this study. Being somewhat closer to Boston, and more

densely populated than either Harborville or Battleton, only about 60% of housing is owner occupied, but it is, on the whole, upper-middle class.

In the case of the suburban and busing students, high school principals directed their staff to mail a solicitation letter from myself to a randomly selected pool of the senior class at these high schools who reside in those towns, and to all of the Busing Program students in those towns. In order to protect the students' anonymity, I was not allowed personal access to their contact information. Rather, each student, or her parent/guardian, would have to contact me in order to participate. Principals were told to select every tenth student from an alphabetical senior class list as the method for random selection, excluding students on that list who did not reside in the community itself. One hundred percent of Busing Program students in Battleton and Old City were solicited since they only represent a small fraction of the students in those communities. It must be pointed out that the busing students have a key difference from the urban students beyond the location of their education; namely, we know that their parents actively chose to send their student to a subjectively "better" school outside the city. This may suggest that the parents of busing students value education to a greater extent than the urban parents. In total for both groups the suburban and busing groups, approximately 95 solicitation letters were sent yielding 20 total participants. About 25 students in the busing group were solicited by mail twice, the second time with a higher monetary offering, which greatly increased the yield of that group<sup>3</sup>.

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<sup>3</sup> Compensation was offered in solicitation letters as needed. None was offered in Boston or Harborville. Based on Harborville's lower response rate, \$15 was offered to both the suburban

In the case of the urban students, the principal of the Boston high school shared concern with me that no student would respond to a solicitation letter. This principal offered instead to let me interview students in the school, as the principal saw some educational value to the research. The principal and I went to classrooms and “pulled” students to be interviewed who had not recently had an attendance problem and thus could afford to miss class. I intervened to make sure the principal gave me a sex and racial mix that seemed representative of the school, even though neither race nor sex were directly factors to be examined in this study. It is possible that the principal similarly intervened to select students with better academic or behavioral standing as a means to better represent the school. However, recall that the pool of students at this high school was already lacking the “top scorers” in the school district. Moreover, relative intelligence or classroom behavior is also not a factor of concern in this study, but rather family income and community background, as well as school community profile. I, or the principal, directly solicited, in person, thirteen students at the school, of which ten agreed to participate. This high participation rate, 77%, was due to the fact that students got to miss class time to participate in the interviews and that I was present in person to explain the survey and answer any immediate questions the student might have had.

Of course it must be noted that all final participants in the survey are self-selecting, as they are responding to a solicitation letter, or to an in-person solicitation at the Boston high school. No use of coercion by either promise of

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and busing students in Battleton. Based on the lower response rate of busing students in Battleton, these students were offered \$25 in a second round of solicitation. Busing students in Old City were offered \$25.

reward or threat of penalty was made by any school staff in any case regarding the solicitation process, nor by the solicitor. All participants who had opted in to the study were informed of their right to discontinue the study at any time or to refrain from answering any question, and all participants were aware that their anonymity would be preserved in the final published report.

It is noteworthy to mention that it was far more difficult to secure permission to solicit any busing students than it was to secure permission to solicit either the urban or suburban students. Administrators of the Busing Program seemed afraid that this study would in some way be used to analyze its success or failure. Because few communities with the Busing Program would cooperate and because busing students typically only represent a small percentage of the population of any suburban school, the overall pool of available students in this group proved to be a limiting factor within the time constraints of this study.

In total thirty (30) students were sampled and interviewed with exactly ten students from each group, with a gender balance of fourteen (14) males and sixteen (16) females. Extra participants asked to be interviewed from the suburban pool, but were turned away to keep the levels even between all three groups, as the number of busing students was a limiting factor. These interviews occurred between November 2003 and February 2004. Although billed as taking only 25 minutes to a half hour, interviews actually lasted on an hour on average. A fixed list of questions were asked of all participants, however, if and when students brought into their answer anything that seemed to warrant further explanation, that topic was explored. The participants break down as follows:

	<b>Group I</b> Urban residence, urban school.	<b>Group II</b> Suburban Residence, suburban school.	<b>Group III</b> Urban residence, suburban school
Sex of Participants	5 Male 5 Female	5 Male 5 Female	4 Male 6 Female
Race of Participants	5 Caucasian/White 3 African/Caribbean/Black 2 Hispanic	9 Caucasian/White 1 Asian - Chinese	10 African/Caribbean/Black
Age of Participants	4 Eighteen 6 Seventeen	1 Nineteen 6 Eighteen 3 Seventeen	2 Eighteen 6 Seventeen 2 Sixteen

The methodology employed in this study is designed to differentiate from among these causal sources and connect them with the appropriate effects. In making these causal links, the battery of questions consisted of four main sections designed to explore four distinct areas that related to my definition of economic philosophy and the process of economic socialization that influenced that philosophy.<sup>4</sup> The first section of questions was designed to explore how young adults behaved financially and to assess from the participants own words why he or she choose to behave in the way described. I inquired into how the young adults earned money, how they spent it and what on, and how they distributed any saved assets. I also investigated how participants came to establish any of their spending or saving rules including the formal establishment of any financial accounts in his or her name. I inquired as to how participants had learned about different options in spending or saving. This section also explored any parental rules that influenced or controlled the young adult’s financial decisions.

The second and shortest group of questions concerned the student’s individual economic knowledge and level of interest. These questions were

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<sup>4</sup> See Appendix A for the entire battery of questions.

designed to test the participants' familiarity with economic terms, and the frequency with which they engaged in structured economic learning, or explored the economy for fun. The third set of questions was designed to confirm that the participant actually fit the model of the SES group for which he or she had meant to be selected. Rather than try to make students guess at their parents' annual incomes, I asked students questions about their community, about their parents', friend's parents, and neighbors' occupations, and to describe in their own words the SES of their community. Through these questions I came to a determination that the participants in each of the three Groups did in fact reflect the SES for the community they were intended to represent.

Finally a fourth set of questions was designed to explore how participants envisioned their future and how (and why) they might behave in certain hypothetical economic situations. That is, these questions sought to find a correlation between the process of economic socialization as it has occurred through to age 16, 17, or 18 and see how that projects forward in future planned decision making such as possible career and life-planning decisions and predictions of how the participant might behave in theoretical situations of sudden financial loss, gain, or a decision with some type of tradeoff.

Because of the small sample size of participants, and the subjective nature of many of the questions, there is no attempt made to find the statistical significance behind any of the quantitative questions or to extrapolate these to the population of young adults at large. Rather, the chief goal of these qualitative

interviews is to observe a pattern in the process of how economic socialization works for participants who exhibit certain quantifiable characteristics.

For example, from the groups studied in this work, I discovered that only two urban students held a checking account whereas eight suburban students did so. This does not tell us that approximately 20% of working class students or 80% of upper middle class students hold checking accounts, but it does point to a relative difference in the incidence of checking account between the two groups and it is these relative differences that, once revealed, can lead toward varying explanations for differences in the socialization process.

There are obvious shortcomings and biases to the method described. The most obvious are the dangers of extrapolating too much from data on a participant pool of this size and projecting these findings onto a more general community. Part of this issue is the community bias inherent in the sampling methods, which selected particular communities (towns) to represent different socioeconomic classes. Among all families with a common SES, families may self-segregate themselves in different communities, based on other factors such as religion, culture, attitudes and beliefs, and thus theoretically they may segregate based on the economic philosophy of the heads of household. Finally we cannot say that responses we would find selecting communities in and around Boston would be duplicated using a city in another part of the country as the base of operations. Theoretically, though this theory is not being tested here, there may be strong similarities between the results of this study and similar studies if they were conducted in other major cities of the United States' northeast, but as there are

cultural differences, and potentially differences in habitus, among the various regions in the country, we might not expect the same results elsewhere. Though perhaps the processes of economic socialization are themselves universal, this study cannot test that question, nor can it generalize as to trends in economic philosophy nation-wide.

There second most problematic source of bias is due to the self-selection of the participants. Although there was no question of this nature, several participants volunteered that they choose to participate in this study either because 1) they like to talk about themselves or 2) they were interested in the subject matter of the study as advertised in the solicitation letter sent to students. Another study might demonstrate some correlation between enjoyment of talking about oneself and certain types of economic behavior, though no such correlation is immediately apparent. It is obvious however that students who express an interest in the subject matter of personal financial choices might have a greater understanding of the topic, have been socialized to be interested, and have a more complex set of economic philosophies with a greater number of rules and more complex reasoning behind attitudes and beliefs. These biases are not so problematic however that we can learn nothing from the interviews. After the data and findings are presented in the following chapters, the likely effects of the self-selective sample will be discussed in the conclusion.

### **Chapter Three:**

#### ***The Economic Philosophy of the Young Adult***

In Chapter One I tried to thoroughly explain what economic philosophy meant, but it is worth summarizing here in short. The economic philosophy held by any individual is the sum of her attitudes, beliefs, opinion, ideas, and understandings that guide her decision-making when faced with choices between certain financial practices or when faced with tradeoffs such as consumption versus saving or work versus leisure. The first layer of economic philosophy is economic or financial understanding and knowledge, because of course, the kinds of attitudes, beliefs, and ideas one can hold are limited by the level of understanding of the options a person has in any situation. The second layer of economic philosophy consists of the preconceived notions, such as ideas, beliefs, and attitudes that individuals have in light of their level of understanding. Such preconceived notions guide individuals to make the “correct choice” when faced with options in a situation of choosing a practice or a tradeoff. Such notions include rules of thumb concerning spending and saving, attitudes about future income, and the value one places on money today versus tomorrow. Obviously this definition denies the existence of a classically rational correct choice for any given situation, but allows for any number of ‘objective’ rationalities that differ with habitus.

I have argued that a well-respected body of sociological and economic theory makes the case that there is not any inherent universal or correct economic philosophy that all individuals can learn. Economic philosophy is something that

each individual develops through experience, observation, structured learning, and personal history. It is socialized as a product of each person's unique economic habitus. Recall MacLeod's definition of habitus as "composed of the attitudes, beliefs, and experiences of those inhabiting one's social world" (MacLeod, 1987, p. 13). Thus we can think of any person's habitus as a summation or product of the economic philosophies held by the people he encounters, these philosophies encountered in one's habitus tending to be reproduced in the person. Based on my research I have identified two broad variants on economic habitus: one socializes its inhabitants to seek *power over and control* of their economic lives and choices while the other which tends to socialize its inhabitants into a *resignation* of accepting their condition as is.

These two variants on habitus are premised on several variable components. One component is level of financial agency. In the power/control habitus, young adults are encouraged to participate actively in the formal institutions of the economy through formal employment and use of banks. The resignation habitus permits more passivity in its inhabitants as it works less to socialize a sense of the importance of using formal institutions or employment as means of self-empowerment. Another aspect of the economic habitus is a certain sense of optimism and entitlement; in the power/control habitus young adults are socialized to believe they can achieve affluence, which they believe they deserve, while in the resignation habitus young adults are socialized to pessimistically resign themselves to a less affluent position. Finally, economic habitus consists of factors that orient young adults either to look more towards the future and plan

for the future, in the case of the power/control habitus, or to focus more on how to live and get by in the present, in the case of the resignation habitus.

This chapter will also demonstrate that, perhaps surprisingly, economic habitus must be much more than a function of simply one's socioeconomic status (SES). This conclusion follows from my finding that students from the lower-income Busing Program group are more alike in economic philosophy to the higher-income suburban group than they are to their fellow lower income urban-schooled group. They largely differ from the suburban group only when their lower family income restrains their behaviors. The busing and suburban students can be said to be on the whole part of the power/control habitus while the urban students are part of the resignation habitus. It will not be until the next chapter that I can fully model why the similarities and differences tend to break down this way, as this must be described by the process of economic socialization, the subject of chapter four. However, as I detail the differences and similarities in economic philosophy among the three groups, keep in mind that there is a thematic pattern to these differences that can and will be explained by the two variants of the economic habitus of these young adults, and diverging process of economic socialization which occurs in each habitus.

This chapter will serve to broaden the understanding of several noteworthy aspects of the young adults' economic philosophies and thematically categorize these comparisons in terms of the habitus from which they arise. I asked students questions that would reveal to me their relative economic knowledge and interest, their relative participation in the formal economy, their relative use of

and attitudes towards formal saving and spending, their individual aspirations for their future as compared with their ideal dreams, and how they value money in the present versus in the future. The suburban and Busing Program students on the whole have been socialized to assume greater financial agency, to have a more nuanced and thorough understanding of aspects of the formal economy, and to generally have an optimistic view of aspirations for the future and a realistic plan for how to achieve such aspirations.

These findings are not in line with my original hypothesis that the holistic experience of one's economic habitus – and by that I meant mainly the SES of the family, residential community, and school – functioned in concert so that differences in economic philosophy would fall on purely class based lines. My attitude toward the students in the Busing Program was that they would be similar to the suburban students in terms of aspects of economic philosophy that were primarily socialized in the school and similar to the urban students in terms of the aspects socialized primarily in the home and residential community. Thus, I assumed these bused students would fall in a very middle-of-the-road position. Chapter Four will explain why I found otherwise.

### **Agency in the Formal Economy**

Economic agency can be thought of in two equally important ways. The first is a general understanding of formalized economic structures. The economy as an entity is too massive and complex a system for any one person to change. For a person to maximize his utilization of the economy as it exists, he must have an understanding of the options he is presented with and a knowledge of the

economy's formal tools. A basic understanding of exchange and the use of money is not enough to navigate the economy, which is structured by laws and riddled with formal devices and contracts that must also be understood. So economic agency is first and foremost contingent on a general economic understanding. Second, economic agency is a function of one's participation in and utilization of the formal economy, including employment, consumption, and savings/investment. It is only when a person actually makes an economic choice or controls economic value in terms of his own capital or labor that he exhibits any economic agency.

Agency is more than a function of one's age. In chapter one I argued that youth ages 16-19 were all essentially at the same level of cognitive development. Yet the students surveyed do not share a single level of economic agency that one could label as standard for a high school upperclassman. Both in terms of understanding and formal participation, the suburban students and bused students are exercising more agency than their urban counterparts.

As a quick way of gauging the relative levels at which students understood basic financial terminology, each participant was asked to indicate whether he or she had a *low, moderate, or high understanding* of the terms *stock, bond, mortgage, interest, and insurance*. For each group there are therefore a total of fifty responses, five for each subject.

	Urban	Suburban	Busing
Low	18	4	12
Moderate	24	9	29
High	8	37	9
Totals	50	50	50

The differences are immediately apparent in table 3-1. Does this result simply mean that suburban students have the biggest egos, busing have realistic perceptions, and urban students have an underestimation of their own knowledge? I think not. Which concepts were understood and not understood by each group follows a logical pattern. No more than two students in any group thought he had a “low” understanding of insurance. Young adults of driving age are typically aware of the function of auto insurance and probably have at least one parent who drives a car. Yet among the urban group, six students claimed a “low” understanding of stocks, and five students claimed a low understanding of mortgages as compared with just one “low” student in the suburban group for stocks and zero for mortgages. Information from the Survey of Consumer Finance indicates that higher income families have much greater instances of stock ownership or home ownership, so it is more likely that the young adults of such families would have greater exposure to these concepts in a home setting, regardless of any school differences (Federal Reserve Bulletin, 2002). Note the moderate responses for the bused students. Only two students in this group claimed a low understanding of stocks, and three claimed a low understanding of mortgages. Spending seven or more hours of one’s day in a community in which stock and home ownership are a greater part of the community’s habitus probably gives these students more awareness of their use and function than their counterparts who rarely leave the city. These students have a more moderate understanding of these terms, especially stocks and bonds, simply because under the liquidity constraints of their lower-income families, their incidence of

investment ownership is lower. Unfortunately this suggests that the urban students are behind their suburban or bused counterparts in understanding some of the more formalized financial structures of our society.

One might expect that the understanding of a topic such as financial instruments is a reflection of his interest in the topic in addition to level of exposure. In assessing that hypothesis, I asked the students to explain their level of economic interest, whether they ever read, watched, or listened to news about things related to the economy, and whether they ever took any classes designed to teach about the economy or any type of financial decision making. Based on the responses, I was able to categorize the student’s level of interest as being either *none*, *low*, or *moderate to high*. Also the level of the students’ news media exposure regarding things related to the economy was categorized as either *none*, *some/by chance*, meaning that the student consumed a low amount of such news or encountered it randomly on occasion, or *lots/seeks*, which means the student consumed such news regularly or seeks it actively. The breakdown of the results parallels what one might expect based on the findings of understanding the five financial/economic terms.

	Urban	Suburban	Busing
None	9	5	4
Low	1	1	3
Moderate to high	0	4	3

Despite the fact that, due to a smaller sample size we cannot say with certainty that lower income students generally have a less developed understanding of economic principles or less of an interest in the economy, for the students sampled we do see a correlation between level of understanding and interest in the

topic as expressed directly, and indirectly through class enrollment choices and level of news consumption on the topic.

Table 3-3: Level of consumption of economic news media by group.			
	Urban	Suburban	Busing
None	8	4	3
Some, by chance	2	2	6
Lots, seeks it	0	4	3

Table 3-4: Incidence of taking an economic/financial themed class by group.		
Urban	Suburban	Busing
1	4	4

Moreover, the causal relationship is somewhat cyclical. Common sense dictates that people develop a greater understanding of things they are interested in; sports fans develop a greater understanding of their game, people who like gardening know more about growing plants. Yet, many of the students who do not consume any news about the economy offered in typical explanation “I don’t always understand what they’re talking about, so I’m not really interested,”<sup>1</sup> suggesting that perhaps they would tune in and follow along if they understood what was being said, and that an interest may require a general understanding as a prerequisite. While all of these schools offered classes in economic and financial topics, none required students to take them. Since a general understanding of a topic is somewhat prerequisite in order to capture one’s interest, I conclude that the general understanding students may have before possibly electing such a class must come from some other source of socialization. The implication of this finding is that we must be on the lookout for why and how a preexisting interest is established that would lead a student to further develop his economic understanding.

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<sup>1</sup> Quoted from an urban group female student.

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Agency is also a function of one's level of activity in the economy. In addition to consumption in retail stores (the patterns of which are remarkably similar across all three groups), the main actions that make up participation in the formal economy include formal registered employment and savings or investment in a formal registered financial institution. Of course, informal employment and savings are also noteworthy and have also been considered.

One of the first requests asked of all participants was *list please all the ways by which you earn money*. The nature of this question was designed to look at formal employment,<sup>2</sup> informal employment, allowances, gift giving, and illicit activities as a means of earning. Because monetary gift giving and allowances tend to be parent-controlled processes of economic socialization, I will review those in the following chapter. Tables 1, 2, and 3, in Appendix B chart the responses of the students completely. The overarching similarity among working students is a tendency to hold a formal job in the summer, though about half for each group work during the school year. This is not a surprising finding when considering groups of full-time high school students. Overall, however, employment is highest among the Busing Program students, closely followed by the suburban students. The urban group exhibits the lowest overall employment rate and is the only group with any students (three total) who have had no formal employment at any time. This fact is noteworthy, because it is the urban

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<sup>2</sup> I define formal employment as that by which the student works on a regular schedule and is paid regularly, including instances of the student owning his own business. This is in contrast to informal employment, which refers to sporadic jobs for which a student is solicited on a random day, such as to shovel the snow from someone's driveway, or also any activities for which no financial record is kept, such as drug dealing.

participants who mentioned the greatest need for spending money or the greatest difficulty with procuring money from parents.

The suburban youth, who overall came from families with the wealthiest background and who most often mentioned that they were in no *real need* of money (vs. a desire for it), or that parents provided for all of their needs and many of their desires, had a comparable incidence of school year employment but were likely to have held some type of work during the summer. One of the students explained, “I don’t need to work, but its something constructive to do during the summer, and you can put it on your application to college or your resume; they like to see things like that.” This comment was typical of the suburban students’ attitudes regarding why they worked. Bused students often shared the attitude that work experience was important for resume building but also often stressed a financial need. One young lady from this group explained, “My mom wants me to contribute by buying my own books, bus rides, and school lunches.” Of the urban students, none mentioned resume building or college applications as a reason for holding jobs; the focus was on fulfilling consumption desires and occasionally needs.

More remarkable than these employment patterns is the way in which the three groups differed in saving their earnings from their jobs, if any. One might suspect that the use of banks would be somewhat proportional to formal employment; that is, the more time a student worked or the more jobs he held, the more he would feel a need to establish a banking relationship for cashing checks, depositing earnings, and the like. But the banking relationships of these 30

participants – their observable behavior – have a much stronger correlation to the students’ overall liquidity constraints than they do to employment. However, the young adult’s philosophies about banks and saving are more strongly correlated to economic habitus. Use of banks is correlated to two of the concepts of habitus, both financial agency and a future vs. present orientation. Financial agency includes the use of formal bureaucratic institutions for one’s own benefit, such as using banks as a means to grow and protect wealth. Also, such wealth building is future-oriented, especially in long-term investment vehicles such as stocks and bonds.

Students are categorized here by the number of instruments they use for consumption and the number and kind of instruments they use for saving. All the students in this study can be described as either *cash only* or *cash +* buyers. Cash only participants use only cash (including cash withdrawn from an ATM), or occasionally a refillable gift card (like a Starbucks card) to make all purchases, whereas *cash +* participants use cash regularly but also may write checks, use a debit card, or a credit card. Students also vary in their relationship with banks and formal savings methods. Some students had no formal relationship with banks whatsoever, and when paid by a check in a job would either go to a bank that cashed checks to non-account holders for a fee, or to a check cashing facility. Other students maintained a savings account, checking account, or both in either their name or jointly held with a parent. Some students also may have used or have been gifted “advanced instruments” such as bonds, stocks, and mutual funds. The results of this question are depicted here in table 3-5.

	Urban	Suburban	Bused	Totals
Cash Only	9 (90%)	3 (30%)	8 (80%)	20 (67%)
Cash +	1 (10%)	7 (70%)	2 (20%)	10 (33%)
Savings Account	7 (70%)	10 (100%)	7 (70%)	24 (80%)
Checking Account	2 (20%)	8 (80%)	2 (20%)	12 (40%)
Both	2 (20%)	8 (80%)	1 (10%)	11 (37%)
Advanced Instruments	3 (30%)	8 (80%)	3 (30%)	14 (47%)
No accounts	3 (30%)	0 (0%)	2 (20%)	5 (17%)

The relative differences in the subjects' possession of "advanced instruments" are correlated with the incidence of parent/relative giving of these instruments, and basically follow the income gaps between the groups. While the incidence of holding bank accounts in general also has a strong parent correlation (discussed in the next chapter) the students' own explanations for account holding reveal their economic philosophies. For example one of the urban young asks rhetorically, "Why do I need [a checking account]? I don't have any bills, so when am I going to write a check?" Within the suburban group, in contrast, one young woman articulated a shared belief that while she rarely writes checks, the use of a debit card (provided only with a checking account) is a good way to spend compared to using a credit card where she might accidentally spend money she doesn't have, and that having a checking account and learning to balance it is simply a good life-long lesson. This sort of reasoning arises from a habitus that is future oriented and sees understanding and use of formalized financial instruments as a form of empowerment; such reasoning also necessitates a belief that bureaucratic institutions exist for one's benefit. While only three busing students have checking accounts now, many citing a lack of immediate need for them, four others say they plan to establish them when they turn 18 and can do so

without a parent. Representative of these four, one young man explained, “I don’t spend enough right now to make it worthwhile to drag my mom there to get one, but it makes sense for every adult to have [a checking account] so I’ll get it when I’m 18.” The habitus of the young adults from the urban group does not as strongly advocate along this line of reasoning, and thus the students, lacking large income flows, have a lesser tendency to see legitimate reasons to establish such accounts. The evidence suggests that busing students having banking relationships similar to the urban students as a result of their common income constraints rather than their philosophies.

One of the key differences regarding the participants experience in banking is the number of years in which the student has had a banking relation in his or her name. I asked each of the students to explain to me the circumstances behind the establishment of their savings accounts, if any. Such a question allows a comparison of the students in a manner that is not as liquidity constrained as having an “advanced instrument” or a checking account might be. In all cases in which bank accounts were not self-established, the parent or stepparent played an active role in this process. Part of the participants’ explanation, however, was the age that the savings account was established. For the urban group, the mean age for the establishment of an account was 16. For the suburban group it was 10.1, and for urban group it was 11.1. Students from the wealthier communities, on average, held at least one bank account for six years longer than the working class members of their cohort. The students in the Busing Program more closely resembled their fellow cohort students in the suburban high schools, rather than

their fellow residents of the less wealthy urban communities. The implications for economic agency are that suburban and busing students are being familiarized with formal banking practices at a much earlier age, and are thus being more socialized to accept and understand the use of such institutions. This allows them as young adults to more easily use such institutions to their advantage than the urban students who have to figure out banks more on their own at a later date.

### **Savings and Consumption, Financial Agency, and Future vs. Present**

Having looked broadly at the young adults' use of formal financial systems and employment it would be immediately helpful to look into their individual consumption and saving habits in light of their work and bank relationships. Savings and consumption are perhaps the most powerful tools of economic agency, as they represent individual decisions on how one uses his income. In terms of *what* the young adults indicated they liked to spend their incomes<sup>3</sup> on, the responses were remarkably similar for all subjects. The only consumption trends that had an independent variable relation were those influenced strongly by gender; it is no surprise that only the girls surveyed suggested that they liked to spend their money on hair and nail appointments or jewelry. Every student but one said he or she liked to buy clothes, and vast majorities across all groups mentioned food outside the home, various media such as CDs and DVDs, tickets to various forms of entertainment such as movies and concerts, and items for certain individual hobbies as the most frequently purchased items. The similarity between students' consumption choices is so

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<sup>3</sup> Consider income to be any money earned, received, or gifted from any source.

striking that there is almost no further point in discussing them. This finding suggests that young adults all have similar needs and desires that are within the scope of their own discretionary spending. For “big ticket items” of several hundred dollars or more it is highly likely that the student either cannot consider these within his financial grasp, must save up for them over a longer period, must negotiate for a parent to purchase the item, or must be gifted the item. Even when asked *what is the first very expensive item you plan to buy when you can afford it*, teens in all three groups were unanimous in naming either a car or first home/apartment as their goals. While of course we know that different teens have different tastes and brand loyalties, the overall categories of items on which they spent are rather similar.

It is in examining *how much* of their discretionary income, in relative terms, that young adults spend where we can find distinctions that point to differences in philosophy and habitus. Students were asked for a full account of what they did with any money they did not spend, whether it went into formal bank accounts or was metaphorically stuffed in a mattress, and they were asked to explain any financial goals they might have in which they saw a need in the present to save for something in the future, regardless of whether they were actively saving toward such a goal. For all participants I categorized each student as either doing *no saving*, *little saving* which means the student indicates he either spends “almost all” of his money, saves “very little” or saves 10% or less, or

*higher saving*, which is any amount of saving greater than that described for *little saving*.<sup>4</sup>

On the whole, the urban students saved less of their income than the suburban and bused students while the suburban and bused youth saved at a comparable level. While six of the urban students did save, four of those six could be regarded as doing little saving, two of whom only used informal “mattress” saving. This is in contrast to the suburban group in which nine students did higher saving (between 25% and 75%) and to the bused group in which eight students did higher saving, all in banks. A full account of the instances for saving as well as the students’ future financial goals follows is reported in Appendix C:

It would be a mistake to argue that the reason why the urban students save far less than the suburban students, is that because they come from poorer families, the urban students must spend a greater percentage of their own discretionary money to fulfill basic teenage wants and desires. The Busing Program students, whose families are of the same means as the urban students and who share comparable financial responsibilities, are much more similar to the suburban students in their rate of savings. Moreover, there is a strong noteworthy correlation between savings and having a specific end goal or plan for the eventual use of the savings in the not too distant future. It should come as no surprise that none of the students, only one of whom is even as old as nineteen, mention the accumulation of net worth for retirement as a goal for saving – an

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<sup>4</sup> I choose to define *savings* as any instance in which the participant was storing money in an accumulative process that would not likely be spent in the next three months on the standard things the students seem to buy.

obligation which nearly everyone eventually faces. Such a financial goal is beyond the horizons of these young adults who are not yet even through high school. But it is rare that students save if they have no *near term financial goal* such as buying a first car or contributing to college educational expenses, and it is rare that students do not save when they do have a near time financial goal. The suburban and bused students, for whatever reason, have a high tendency to have a specific future goal, or orientation toward the future, which will require expenditures, typically college. This goal motivates the act of saving, rather than these students simply saving for saving's sake or for the accumulation of wealth. As a whole, their economic philosophy is more oriented toward agency of their futures through decision making in the present. The urban students have less of a tendency to have a clear future financial goal in part due to the decreased tendency to plan to attend college, which in turn seems to result in a lack of motivation to be actively saving as a youth.

Table 3-6: Comparison of current saving and future savings guess, by group.

Urban		Suburban		Bused	
Current Saving	Future Saving Guess	Current Saving	Future Saving Guess	Current Saving	Future Saving Guess
1. Little	10%	1. Some	30-40%	1. Some	25%
2. Little	10%	2. Some	50%	2. Some	50%
3. Some	Less, or none	3. Some	75%	3. Some	50%/20% <sup>5</sup>
4. Little	None	4. Some	"A lot"	4. Some	50%
5. None	10%	5. None	50% *	5. Some	60-70%
6. Some	None	6. Some	"A lot"	6. Some	45%
7. None	"Probably 0"	7. Some	"High %"	7. None	25% *
8. None	20%	8. Some	70%	8. None	40% *
9. None	10%	9. Some	"Most"	9. Some	10%
10. Little	1/3 <sup>rd</sup>	10. Some	30-40%	10. Some	20%

Explanation of \* follows.

<sup>5</sup> This person suggests he will save 50% if he is able, but more realistically only 20%.

Perhaps then, rate of savings is simply tied to a near term financial goal. However, the evidence actually suggests that for whatever reason, students tend to either value savings or not. I asked students *ten years from now, what percentage of your income do you think you'll save each year?* I was not prepared for the level of sophistication of some of the students, but if they asked, I clarified that I meant income after taxes, but including any regular contributions to IRA and 401K plans, and excluding accumulation of equity in a home.<sup>6</sup> A correlation exists between what students save in the present and if they value saving in the future, or in other words expect to save a substantial amount of income in the future. In fact, students in the suburban and busing groups tend to grossly overestimate their future savings rate from that which it realistically will be. One can assume these overestimations have to do with the fact that they have relatively little experience with trying to balance their own incomes with spending on housing, food, clothing, healthcare, and dependants' needs. This is simply a stage of economic socialization that does not and probably cannot occur until the youths become fully independent adults. But, these high estimations reveal that these students value saving now and suspect they will save in the future. It is noteworthy that there are three individuals (marked by a \*) in the suburban (person 5) and bused columns (persons 7 and 8) who do not save now but who plan to save substantially more later; these three individuals all noted that while they had near term financial goals, such as being able to attend college, these goals were already met. Each of these individuals plans to save at least 25% of

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<sup>6</sup> Questions about retirement accounts came up twice, asked both time by suburban students. Questions about taxes came up once from a busing student. Questions about home equity arose twice, asked by two different suburban students.

their future incomes. This suggests that while they value savings, they do not see a near term need which demands them to do so in their youth. They continue to fit the developing model that, on the whole, the suburban and bused students reside in a more future-oriented habitus. This also supports my conclusion that having particular unmet financial goals is a strong motivation for saving. Individuals in the urban column have on the whole lower levels of saving today and have the lowest future aspirations for saving. While these individuals will have financial obligations later in life, they do not seem to perceive as much of a necessity for savings either now or later. It should not be misconstrued that the teens in this group have a negative view of wealth accumulation – when asked about their ideal future, most give explanations that involve high amounts of wealth. Rather, it may be that these teens see less of a correlation between saving during one's adult years and the fulfillment of such desires as part of their realistic aspirations, a topic to be explored momentarily. It should be noted that limitations in future aspirations correlate with perception of future saving – individuals 3, 6, and 7 in the first column offered the explanation that they would probably be living too close to the margin to actively save any money.

My finding that the busing students and suburban students share a common economic philosophy, though their behaviors may differ due to the family income restraints of the busing group, is further confirmed by a pair of questions I asked about sudden financial loss or gain. I asked all students what they would do if they suddenly won \$1,000 in the lottery, and also what they would do if they were suddenly fined \$1,000, which they had to pay or else get

arrested. In allocating lottery winnings, suburban and busing students shared a common mentality in which eight and nine students from each group respectively planned to save, invest, or allocate to college spending some portion of the \$1,000 winning. Only three of the urban students emphasized saving, most suggesting they would spend the money on things for themselves or others. When faced however with a potential loss, income restraints take over. All of the suburban students suggested that to pay such a fine they could either withdraw ample funds from their savings (most of which have been augmented by years of parental and relative gift giving) or get their parents to pay the fine. For most it was a small worry; a few said they would owe their parents the money back and thus they would have to adjust their spending and saving over some time to make such payments. In contrast, both the busing and urban students expressed a sense of difficulty over such a prospect. One urban student and two busing students claimed to have enough money in their savings to make an immediate payment which would in turn lead them to save more in the future. However, one student in each group said he would ironically have to break the law to get the money to pay the fine to avoid going to jail. The others suggested they would have to spend down all their savings and borrow the remainder from parents and/or grandparents, which all but two agreed they would have to pay back over time. The divergence of philosophy and behavior depicted here is a strong reminder that behaviors can be constrained by factors extrinsic to their desired choices. Still these results evidence a correlation in underlying philosophy between busing and suburban students.

## **Dreams and Realities, and the Sense of Optimism and Entitlement**

One's ideas and attitudes about future saving offer a glimpse into the window of their entire view of the future. As part of the increased agency that has been socialized in the suburban and bused students from commonalities in their habitus, these students also have a stronger sense of control over directing the course of their life and are more oriented on this future than their urban counterparts, again signaling differences in habitus.

A major component of any young adult's economic philosophy is that person's ideas, attitudes, and beliefs about what he or she should do with his or her life – I refer to the young adult's future aspirations. All participants were asked two questions along these lines. First, *think twenty years down the road, what do you think your life will realistically be like then with respect to your future job, family, place of residence and type of residence?* This question, when answered, was followed with *now imagine for a moment that with the ease of writing down a description on a piece of paper you could with 100% certainty make any of your wildest imaginable dreams come true; what would this ideal life be like for you twenty years from now; how would it differ from what you already described as your realistic life?* The nature of these questions was two-fold. First, I wanted to see if, as I believed, the students would aspire to occupations typical to their present SES group. Second, I wanted to see how the young adult's wildest fantasies compared with his actual expectations. In his work on low-income teens, MacLeod (1987) argues:

Aspirations reflect an individual's view of his or her own chances for getting ahead and are an internalization of objective probabilities. But aspirations are not the product of a

rational analysis; rather, they are acquired in the habitus of the individual. A lower-class child growing up in an environment where success is rare is much less likely to develop strong ambitions than is a middle-class boy or girl growing up in a social world peopled by those who have “made it” and connection between effort and reward is taken for granted (p. 13)

Holding McLeod’s argument to be true, the findings of my question should come as little surprise. Among the urban youth, four students believed their future included a blue collar job, two had no idea what job their future might entail, three had a white collar aspiration and one aspiration could be called “capitalist,” which I define as careers involving owning a business, real estate, or investments as a source of income. Of these ten, only one aspired to a career that required a baccalaureate level degree or higher. For the other groups there is a different picture. Among the suburban youth only one believed his future involved a blue-collar job. Five were white collar, and four were capitalist. Five of the jobs require a higher degree. The busing breakdown is: one blue collar, one no idea, six white collar, and two capitalist. Two of the jobs *required* a higher degree though in reality at least six of the jobs typically call for one.

	White collar	Blue Collar	No idea	Capitalist
Urban	3	4	2	1
Suburban	5	1	0	4
Busing	6	1	1	2

Urban	1
Suburban	5
Busing	2

With respect to the urban and suburban groups, these findings are congruent with “reproduction theory” on how young adults tend to aspire to the same kinds of

positions as their parents. We will explore the socialization behind this phenomenon later. Further explanation is needed to explain why the busing students aspire to surpass the occupational status of their parents while the urban student do not.

It is when we enter the realm of the “dream life” and compare it to each subject’s “realistic aspirations” that we begin to see some less obvious differences. Compared to their present realistic aspirations, most, though not all subjects wanted something “more, bigger, or better” in their dream life, often in regards to their occupation. I categorized the relationship between what a subject believed were his realistic future aspirations and what he described as his ideal future in three ways. In some cases, there simply were no differences and the two narratives were the *same*; participants insisted that their ideal life was exactly what they had just described as their present realistic aspirations. In other cases, there was an *augmentation* of some aspect of the person’s realistic perceived future in his ideal. An example of such an augmentation would be one urban young lady who aspired to be a hair stylist, but who would be “a stylist for famous people” in her dream life. In these cases of augmentation, the individual’s dream was incorporated into his reality – that is, the person believed that aspects of his dream life would certainly happen anyway in his real life, the difference being some augmentation in level of fame or income. In other cases, there was a sharp *divide* between a person’s perceived future and his ideal life, such that the person’s dream was not incorporated in his reality. In these cases, the person’s dreams were along totally different lines, at least in terms of occupation but often

also in terms of future residence, to their present realistic aspirations. One example of such as divide is an urban young man who aspired to go to culinary arts school and be a chef, but dreams of becoming a famous comedian.

Table 3-9: Incidence of same, augmentation, or divide between dreams and realistic aspirations by group.			
	Urban	Suburban	Busing
Same	0	2	2
Augmentation	3	8	4
Divide	7	2 <sup>7</sup>	4

These findings, and an analysis of what the students each said, indicates that on the whole, the suburban students feel that they have a relatively good chance of working in a field which they enjoy, and their only dreams beyond that would be to be to achieve a higher level of success or fame in that field. However for the urban group, the following story is typical of the seven *divide* students. One young woman had mentioned that having been good working in an office setting, her realistic aspirations including becoming a secretary. However, “that’s just a job – I think I’d be good at it, and it would pay the bills you know, but my dream would be to be an actress like Halle Berry.” This same individual, when asked how her life would be changed if she won \$10 million explained that with the security of that money, she would immediately go to LA and pursue careers in acting. She conveys an attitude of resignation that she will end up doing something that will suffice but is not what she loves. Generally the dreams of these individuals are out of their reach.

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<sup>7</sup> The two “divide” individuals listed for suburban group are double counted under Augmentation and divide. The reason for this is that their dreams emphasized a second or alternative career in a riskier entertainment venture that was not part of their realistic view of the future. However both of these people emphasized that they wanted to maintain their “realistic” occupation but somehow also hold the entertainment job – and this can be seen as an augmentation of their aspired futures.

## **“Rational Choice” and Attitudes About the Present vs. the Future**

I have now argued that some students, but particularly the suburban and bused students in this study are quite a bit more future oriented than other students their age, suggesting that the habitus of these individuals socializes them to focus on control over of and power over their futures. Continuing with this assessment, it will help now to look at a key aspect of economic philosophy regarding individual attitudes toward the future discounting of money. As discussed previously, any classically rational person would rather have \$1 today than \$1 tomorrow both because there is an opportunity cost to waiting, and because common psychological effects lead people to value the present over the future. This is the reason why banks must give interest to those who deposit money and forgo consumption in the present. Of course, the economic individual is not classically rational and we can think of reasons why an individual just might forgo \$1 today for \$1 tomorrow. A more telling question however involves forgoing \$1 today for \$2 tomorrow, because to forgo a doubling of one’s money tomorrow – certainly more than one could hope to earn in a traditional savings account – says something about the person’s attitudes or values. To scale this sort of question up to a thought-provoking circumstance, as with Tony and Damien, I asked my participants, *which choice would you rather pick as a free prize, A: \$1,000 today or B: \$2,000 in three years? Assume you have a 100% guarantee of getting whichever you choose. Also explain why you would pick that choice.*

Choosing to take \$1,000 now were nine urban young adults, four suburban young adults, and two Busing Program young adults. The reasoning given by

each student will serve to complete the picture of what this question reveals.

When a participant chose to take \$1,000 now, I categorized their explanations in three ways. One group of explanations for taking \$1,000 now is the *present need* explanation in which the participant states an immediate need for the money and does not consider future needs as equally important. The second group of explanations is those that emphasize that the *wait is too long* regardless of the comparative needs now or later or the valuation of either amount. A third group of explanations is the *opportunity cost* explanation, in which a student argued that the \$1,000 today was actually worth more than the \$2,000 in the future. When students chose to wait for \$2,000, I again found their explanations fit into three categories. One emphasized the *lack of needs* in the present as compared with possible or probable needs in the future typically because “I’ll be out on my own then” or “I’ll be in college then”. I call the second category the *responsibility* category because in this grouping, students emphasized that they didn’t trust themselves with the money now or would act too irresponsibly with it now and that by forgoing it they would be able to use it more wisely later. Both the lack of needs and responsibility responses can be grouped in the sense that they both emphasize a forward-looking orientation. Notably the instances of such explanations are higher for the suburban and bused students. The third group is again the *opportunity cost* grouping in which cases the student argued that \$2000 later is in some way worth more than \$1000 today. The following table depicts the instances for each of these reasonings and the actual choice of money now versus more later, by group:

	Urban	Suburban	Busing
\$1000 Today	9	4	2
- Present Needs	3	2	1
- Wait too long	5	0	0
- Opportunity cost	1*	2	1
\$2000 Later	1	6	8
- Future Needs	0	4	4
- Responsibility	0	1	4
- Opportunity cost	1	1	1

The opportunity cost explanations are particularly interesting because they emphasize a desire for greater wealth. For instance the individual marked by a \* explained of his choice “I’d buy weed with that thousand dollars and sell it for eight Gs [\$8000].” Despite the illicit nature of this plan this individual has emphasized that to him \$1000 in the present is actually worth more than \$2000 in the future. One of the suburban students’ opportunity cost explanations emphasized that “when I’m 21 I’ll have a job and \$2000 will come to me much easier than \$1000 comes to me now”. This explanation equates dollars with hours worked and suggests that \$1000 now represents more hours worked than \$2000 later. Another suburban student believed she could easily invest that \$1000 now in stocks and outperform the \$2000 benchmark by the time she was 21. One suburban student – the only person to do so – gave the “classically rational” textbook explanation, in the opportunity cost category, that “you can’t make that much money [\$1000 interest] in the bank that fast, so it’s a good deal to wait.” These opportunity-cost explanations that emphasize wealth accumulation in real dollars were in the minority. Most students as the table depicts had a very either present day or future orientation guiding their choice, the differences falling along the aforementioned lines.

What do these responses tell us? The stark differences between the answers given by urban students and bused students suggest that something other than a factor of socioeconomic class is at play in the socialization of these students' economic philosophy. It is important to recall at this point that work by Schor, and by Stanley and Danko emphasize that people who regard themselves in the same socioeconomic class and who have identical incomes can end up with vastly different net worths based on differing practices and economic philosophies. This is why we find both "upscalers" and "downshifTERS"; "under-accumulators-of-wealth" and "prodigious-accumulators-of-wealth" (Stanley and Danko, 1996; Schor 1998). If we wonder why these differences are seen among America's adult population, I would say we are staring the answer in the face when looking at the differing results between the urban and bused students to the question regarding \$1000 now versus \$2000 later. Within the same socioeconomic class, there can be vastly different paths of economic socialization going on.

Differing outcomes of economic socialization are certainly what the preceding evidence has shown. What we have seen is that the economic habitus of the suburban and bused students, unlike that of the urban students, puts them in a position to have more economic power and greater control over directing their own lives. These students are already working more and saving more, and plan to save more in their futures, even if their aspired rates of savings are totally unrealistic. They have a good idea of what they want to do for work, and by and large these aspired occupations are in the same fields as they would be in their

dream lives, suggesting that they are actively working now with the future in mind to achieve their goals. Even when making a simple choice such as between free money now and free money later, these students have been socialized to keep the future in mind. Obviously, the one connection that is clearly common to the suburban and bused students is that they are educated in the same high schools. Stopping here one could conclude, rather precariously, that the school takes on the primary responsibility of socializing our young adults to act for themselves and make their own financial choices. Such a conclusion is not at all however what the evidence actually shows.

## **Chapter Four:**

### ***Habitus and the Socialization of Economic Philosophy***

In the preceding chapter, I argued that a gap exists in the economic philosophies between the urban students who reside in the resignation habitus and both the suburban and bused students who reside in the power/control habitus. An explanation of this dichotomy calls for an analysis of the socialization process by which the economic habitus is instilled in and adopted by the young adult within it.

The different economic habitus created by each group of parents is the factor that most correlates with observed differences in the economic philosophies of the students in all three groups. The interviews looked at several different “parent variables” such as parent occupation, rules the parents had on their child’s spending or saving habits, parent role in establishing bank accounts or other savings instruments for their children, parent support of and suggestions for child’s aspirations, and parental advice and anecdotes about both spending and saving. Without doubt, the evidence will demonstrate that regardless of race, class, sex, or other variables, differences in the economic philosophy of these youth are most attributable to differences in the just mentioned parent factor variables. The parents tend to exhibit either the power/control habitus or the resignation habitus, passing their own philosophies on to their children.

Based on the unique positions of the busing students throughout the preceding chapter, one might conclude that the differences observed between this group and both the suburban and urban groups are primarily due to the disjunct

SES of their home and school. This assessment is surprisingly wrong. Although the differences between the urban and busing groups are explained somewhat by the busing students' unique school-home SES dichotomy, most of those differences are at heart caused by differences in parent attitudes. Recall that being part of the busing program is itself a matter of parent choice. It turns out that in many ways, the busing group parents more closely resemble the suburban parents than they resemble the urban group parents, and that it is only indirectly, and as a result of parental choices, that the similar school experience explains similarities between suburban and bused students' economic philosophy.

This is not to say that parents are the sole source of the economic habitus, but simply that they are primary. The schools themselves take a less active, formalized, or curricular approach in *economically* socializing their students, though they certainly provide other aspects of the habitus to their students such as certain forms of knowledge and cultural capital. Mostly, schools are limited in their role of economic socialization to providing either a general optimism or pessimism for the students' aspirations, and guiding their orientation either toward the present or future. Also, schools play a role in that they are a peer oriented socializing medium where a large group of like-aged students come together each day and serve as a common reference group for one another. Arguably, because a student typically spends seven or eight hours a day at school – almost half his waking hours – the school community forms a great part of the student's habitus. Reproduction theorists have long argued that the role of school, more than teaching knowledge like reading, writing, and arithmetic, serves to

reinforce the dominant social hierarchy and by helping students maintain their current place in the hierarchical structure, and I certainly found support for this idea. If this is so, something unique must be happening when students from poor urban areas are sharing in the educational experiences of wealthier suburban teens. The Busing Program can be thought of, as much as a means of bringing kids from under-funded to well funded schools, as a program which socializes a small number of underprivileged youth in a school where the majority peer reference group is of a higher SES, and where the school orients students towards higher income and higher status aspirations.

### **Habitus and the Socialization of Career Aspirations**

In the previous chapter I demonstrated the gap between members of the power/control habitus and the resignation habitus as reflected in how the students' dream/ideal life was or was not incorporated into their realistic goals of their future life. Such information matters for economic socialization because it suggests whether students have been socialized to feel optimistic, empowered, and in control of their futures, or should feel largely resigned not to follow their dreams. These differences must be accounted for somehow in the socialization process. One of the interview questions asked students *has your parent(s)/guardian ever suggested to you what he/she thinks your future career should be; does your parent support your current plans?* This question helps to indicate whether parents are trying to structure and actively shape the future of their children.

A stark gap exists between the suburban and urban students in the level of parental involvement in shaping their child's future career aspirations. In answering the above question, nine of the ten urban students explained that their parents had never expressed any opinion about their future career. For the one student who did receive her father's advice (this is the "Halle Berry" student from the previous chapter) her father advised her that a career in business is safer than one in acting. According to their children, the suburban parents have lots to say about career aspirations. Seven of these students stated that their parents had actively voiced support of their child in his current aspirations. Also, nine of these students said that their parents had actively voiced either approval or disapproval for various possible career paths. For example, one young woman said, "my parents will be happy as long as I'm happy, but my dad doesn't want me to go to beauty school or anything, ya know – not live up to my potential." Another young man, who aspires to be a professor in the humanities, notes that his father who is in a math profession jokingly mocks his son's aspiration, but in reality is supportive of his plan to teach in higher education. His parents were not as supportive however of his "dream occupation" of making films, perhaps explaining why he is not aspiring to that goal. These examples are representative of the suburban parents' attitudes, both in supporting a child's aspirations and also in expressing concerns about riskier or less high-income/high-profile options. Parents in this group want "what's best" for their kids and have specific ideas of what that means.

Of the busing students, four said that their parents had made no career suggestions or offered no opinion. Of the other six, five say their parents support their current career plans, while the remaining student says her mom has specifically advised her to be a teacher. Recall that the parents of the busing group students live in the same or similar neighborhoods and hold similar jobs to the “urban” parents. But, these parents are different, having sought a special educational path for their children by choosing to place them in the Busing Program. They take a more active approach to guiding their children’s futures and I believe this may explain their higher incidence of parental advice/support compared to the urban parents. While they have less experience in high-status occupations than the suburban parents, and might not have specific ideas as to what their children should do, they share the suburban parents’ desires to support their children into some form of stable work, for which they seem to be optimistic about their child’s possible success.

The students’ reporting of their parents’ advice/support on future educational opportunities further supports this argument. All of the busing parents have supported the idea of their son or daughter attending college after high school. The same is true of all the suburban students. Not surprisingly, almost all of the students in both groups plan to attend college upon graduation of high school. By and large these parents seem to be getting their way. That these parents make these suggestions reveals that they have faith that their children can either “move up” in the world or maintain a middle class or higher position, and that they value higher education. These parents, from two separate SES

backgrounds both exude a certain level of optimism that is in no way dependant on class, but which, as the last chapter argues, is perpetuated in their children. On the other hand, almost no urban parents stressed the need to attend college, though among a few students there was a general sense that parents believe education is a path to getting ahead in the world. Half these students said that they planned or hoped to go on to college.

Parents are not the only factor behind these differences in college aspirations. There are marked differences between the Boston high school in this study and the four suburban high schools in terms of college enrollment statistics.<sup>1</sup> Getting students into college is very much an active mission of these four suburban high schools. I asked a few students from each group to explain the dynamic in their high school regarding post-graduation plans. In each of the suburban schools, the resident students and busing students explained that the schools are very college oriented, with “the vast majority” of all students enrolling in either two or four year college within one year of graduation. They add that the guidance counselors strongly advocate higher education. The various curricular “tracks” such as college prep or advanced placement courses suggest such a focus. On the other hand, at the Boston public high school, students explained that much focus was put on just getting them to show up each day and eventually graduate, and that only a select few had a shot at college. This school offered only one curricular track for all students. In sending their children to the suburbs, rather than the Boston high schools, the parents of students in the Busing

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<sup>1</sup> The two or four year college enrollment statistics for the four suburban high schools were all above 90%. Boston does not offer such a statistic, claiming only that of all their schools, 70% go on to either college *or* vocational training.

Program are actively choosing to socialize their students in this pro-college environment – but it is the achievement mentality of the high schools themselves that also serves to drive the students in this particular direction.

### **Socialization of Agency and Future/Present Orientation Through Spending and Saving Philosophy.**

Parents also differ in the type and amount of advice they give regarding their children's spending and saving habits, or differ in the formal rules and mechanisms they use to teach their children about saving or spending. These parental differences are strongly reflected in the differences already presented regarding the students' own attitudes about saving and spending money well. Overall, all students claim that their parents have given advice that one might consider common sense regarding the use of discretionary income. If a parent says anything, they at the least suggest that their son or daughter do some saving and make "wise" (the most commonly used word) spending decisions – though the level of detail the parents offer on how to fulfill those goals differs greatly. Also, parents in all three groups seem reluctant to place rules on their children's spending or saving once they've reached this age. Only one urban parent and two sets of suburban parents did so.

On the whole, most of the urban students offer few examples about parental advice regarding such decision-making. Such advice often consisted of succinct parables with little detail. For example students related, "my parents advise me to 'only spend money on decent things,' like no drugs and alcohol", or

“my mom says ‘spend your money wisely’”, or “my parents say ‘think twice before you buy things.’” Only two of the students told of their parents having made a more specific recommendation such as “make a distinction between what you need and what you only want, and buy only what you need,” or “don’t use a check cashing place – use a bank.” To be honest, these students appeared to struggle on this question, and generally had to think longer than the other students to come up with these brief answers. Additionally, only one of these students said her parents had any rules that proscribed her spending or saving choices. All in all, these parents are fairly laissez faire about how their children use their own money. The economic habitus of this group is not as oriented toward empowerment through capital accumulation or close management of one’s economic resources.

Suburban students generally laughed or made some sort of exclamation upon hearing this question, conveying the attitude that their parents often had lots to say in advising their sons or daughters on financial decision-making. This group of parents gave an enormous amount of advice in comparison to the urban group. All of the parents in this group in some way encourage saving. The means of saving money are often explicitly detailed. Parents in this group tell their children: “don’t go to the movies, wait for the DVD to come out and watch with your friends at home” or “use coupons and buy what’s on sale” or “don’t shop at Brand Name Store, go to the department or discount store” or “put a percentage of your paycheck in your savings account each week, and don’t ever withdraw the savings.” In fact the impression I got from some of the subjects in this group was

that their parents pepper their lives with such commentary and make gestures of either approval or disapproval for each of their children's financial choices. Providing close scrutiny over spending decisions, these parents engage in active management of their children's lives in a way that encourages the accumulation of wealth. It is also noteworthy that in three cases, subjects told me that at least one parent had put an emphasis on his or her own childhood living in a lower SES group and imploring to his or her son or daughter that certain ways of doing things – that is, a certain economic philosophy or work and savings ethic – was key to that parent's successful ascension into the middle or upper-middle class and was the key to staying there. The habitus of these children is very much oriented on habits that will reproduce their middle class status as they age.

The differences between the suburban and urban youth on the level of parents' active management correlates with theory about differences in child-rearing styles based on class. Interview based studies that focused on parent values (Kohn, 1977) found a divide between middle-class and working-class parents such that middle-class parents are more likely to emphasize self-direction whereas working-class parents emphasize conformity to external authority. By this divide, Kohn means that middle-class parents try to instill in their children values by which their children can come to act independently and achieve a particular level of authority and control over their own lives; working-class parents try to instill in their children values by which their children can succeed in roles of subordination to dominant institutions and authorities. Such differences in value were discovered in an observation-style study meant to explore ways that

parents and children interact differently by class (Lareau, 2002). Lareau found that middle-class parents are more active in the structuring of their children's lives than are working-class parents, organizing more formalized activities for their children. She found that these differences were part of a wider difference in which middle-class parents cultivate a sense of entitlement in their children and teach them how to make bureaucratic institutions worked for them. On the other hand, the urban parents exemplify to their children a sense of subservience to bureaucratic institutions and fear of authority, while cultivating a sense of restraint in their children. Such differences in habitus suggest that in the economic socialization process, parents will diverge based on class in terms of cultivating financial agency in their children.

Nevertheless, the findings for the busing group call such purely class-based demarcations into question. While none of these parents enforced rules that proscribed certain spending or required saving, all the busing parents actively encouraged saving, and most offered detailed advice on how to do so. Akin to the suburban parents, some of whom suggested certain behaviors were the key to their own success in rising up the economic ladder, a few of the busing parents related their belief that only by consciously saving money and making thrifty consumption choices could their sons or daughters rise up to a SES group on par with the suburban students they go to school with. The similarities in the parental pressuring and socializing of the suburban and busing students help to explain the differences in the last chapter of the overall levels of saving among the three groups. While the suburban students believed savings was important, and reported

saving moderate or high amounts of their income, the urban students had much lower levels and opinions of saving. Why the parents of the busing students are different from other lower-income parents is not a question that can be directly answered through my interviews with students and perhaps calls for further parent-oriented studies.

The differences and similarities between the three groups just described are strong indicators of the parents' active roll, if any, in educating their children about banking. Recall from the last chapter that for the urban group, the mean age for the establishment of a first bank account was 16. For the suburban group it was 10.1, and for the busing group it was 11.1. Parental differences explain the age gap. Students were all asked who taught them about saving and with whom and when did they open a bank account. For the suburban and busing students, one or both parents took the initiative to establish the bank account, typically taking their child along with them to teach them how the account works, and holding custodianship over the account for a number of years. Several of the parents have not yet relinquished this joint authority over the account as a means of monitoring their children's saving. Typically, as many of the students with checking accounts were not yet eighteen years old when the account was established, parents again had to accompany their child to the bank and "sign off" on the account. Yet, few in the urban group hold checking accounts, and the majority who hold a savings account established this account on their own, often out a need to cash checks or deposit money from a first job in the middle or late

teen years. Parents played much less of a role for this group, although a few did have parents establish an account for them.

Differences in parental application of advice and pressure toward their children's spending and savings habits is also correlated to the parents use of a formal allowance or required chores in the home. I asked each student if they received a home allowance, if any chores were required for this allowance, and if they were able to get money from parents on an "as needed basis" outside of the allowance. A majority of students in all three groups could indeed get money from parents as needed, albeit they noted with some level of haggling. It often helped to have a specific purchase in mind that the parents approved of in order to get such money. However there were differences in the incidence of allowances, and they were purely along class lines. In short, a majority of the suburban students had an allowance<sup>2</sup> at some point in the previous four years, while no urban students and only one busing student had one. This finding is congruent with the results of a large panel study which found that incidence of allowance giving by parents was proportional to the socioeconomic status of the parent (Mortimer, et al, 1994). One explanation of this proportionality is that wealthier parents have more discretionary income to allocate to students. However, as indicated previously, when income restraints are involved, the actual underlying philosophy is unclear. Consider again Lareau's (2002) finding that middle class parents more actively structure and manage their children's lives. In one sense, the busing parents mimic this process in that almost all of them require their

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<sup>2</sup> Allowance is different from money as needed in that an allowance comes in a fixed amount periodically on a fixed schedule. Most students with allowance claimed a requirement to do chores in order to receive it.

children to do chores, especially if the child ever hopes to receive money as needed. Like the suburban parents, they are trying to instill a sense of reward for work. In contrast, only two of the urban students claim a requirement to do at home chores in order to get money as needed.

The ways that parents intervene in their children's lives, through giving advice, counsel and support, approving or disapproving of the child's post high school aspirations, spending, and savings habits, and also through the application of formal rules or formal allowance and chore arrangements demonstrates that parents hold the trump card when it comes to shaping and molding their children's economic philosophies. However this finding now begs the question, in light of the fact that parents play a lesser role in the economic socialization of their children in the urban group, what factors "step-in" to fill this vacuum?

### **In the Absence of Parents, a Lingering Vacuum**

One answer to this question is simply that the vacuum is not fully filled in. This would explain why the urban students admit to a lower understanding of financial terms and why they have less participation in the formal economy. But in talking with these students, I also got the sense they were forced to develop an economic philosophy much more on their own. Students in this group spend quite a bit of time in their own neighborhoods. This level of time is not comparable to that for suburban students who are engaged in many after school activities, or the busing students who often had to add two hours of commute to their regular school day and often participated in activities in the suburban community. When

asked about what other factors contributed to their economic understanding, members of the urban group often said they “just heard” about something from watching what adults or peers do in their communities. For example one student explained that she occasionally talked about money with friends, and that her friends had discussed making investments, though they didn’t know how and have not pursued it. This contrasts to one of the suburban students, whose parents had granted her money earmarked to purchase a stock, which she was advised to research and then purchase through her parents’ account. These are the differences between the resignation and power/control economic habituses that leave the urban students feeling less knowledgeable and empowered than even their SES counterparts in the Busing Program.

Despite the finding that the parents of the urban students are less consciously involved in the economic habitus of their children, these young adults reside in an economic habitus nonetheless, of which parents are simply less of a factor. Still, what fills this vacuum? In answering this question, recall the future career aspirations of these young adults. These aspirations were to a great extent reflective of the student’s current socioeconomic position for the urban and suburban students, and reflective of the “special track” that busing students have been placed on in their participation with the Busing Program. This suggests a process of learning by osmosis in which the youth take cues from the adult’s they know in determining realistic aspirations. In a sense, the career aspirations are on the whole, realistic, especially in light of the likely and aspired to college attendance of the groups. However, the students’ ideas of what their future

incomes will be tell a different story. I asked each student to think ten years down the road (eleven in the case of the High School juniors) and to estimate their annual income at that age (approximately 27-29), and then asked each student what they thought the average income was for Americans of that cohort, by which I elaborated to the students to mean the 50<sup>th</sup> percentile.<sup>3</sup> For all three groups, the students had a reasonable, similar, though slightly inflated idea of what an average income was for that cohort with the mean response for each group being within \$2000 of \$35,000. The U.S. Census Bureau reports that the median income for persons between the ages of 25 and 34 is \$30,510 (Census Bureau, 2002). They also report vast differences in the median income earned for this cohort, with respect to education, with the average income earned by high school graduates being \$32,130 but the average income earned by those with a bachelor's degree or higher being \$57,333. But the expected salaries of the young adults interviewed are far from this reality, except in the case of students in the Busing Program. Three of the urban group students had what could be called a realistic – and perhaps pessimistic - aspiration of future income, predicting incomes in ten years to be \$20,000 or less. Despite these individuals, the average expected income for the urban group is \$78,500. For the suburban group the average expected income is \$104,000. For the Busing group it is \$48,200. The suburban students are optimistically jumping the gun somewhat. Although these expected incomes are on par with the median family incomes at present in their communities, we know that these are not typical for people who are only 28,

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<sup>3</sup> In asking this question I was not looking for nominal dollar figure adjusted up for inflation. If a student asked (twice) I explained that I wanted figures in today's dollars.

despite their high aspirations and likelihood of college enrollment. Busing students, however, are the most conscious of socioeconomic differences and realities, being that they have dual experience in two kinds of communities and draw on the habitus of both. Their aspirations to earn about 33% more than the median may not be that unrealistic given that these students are on the whole actively on a path to improve their position through hard work in the present. How do we explain then that the urban group then, most of whom will not realistically attend college, and only half whom even aspire to do so, believe they will earn 100% more than the average income in ten years? The only explanation I can proffer is that these students simply don't know what realistic income aspirations are both in terms of their future career plans and future education aspirations. This group has the least formal employment experience and receives the least parental advice. This apparent *lack of economic socialization* leaves the students without a realistic grasp of how the formal economy works.

In the absence of direct, concerted parental attempts at economically socializing the children, the other factors of socialization are not sufficient to fill the vacuum. Except for the few students who had taken a class on the subject, students did not feel they had been economically socialized in school, nor did they feel the standard mandatory curriculum taught them anything economic with a real world application, save basic math skills. This does not mean that economic socialization does not draw on a school-oriented habitus. The students simply do not recognize it as such since it is not formally announced in the curriculum. Certainly students are gauging their future aspirations on the peer group of their

school and the advice of the counselors and teachers who instruct them. When asked *who, if anyone other than the parents, taught you either intentionally or through example anything about how to make decisions about jobs, spending, saving, or planning your life*, almost no students could list anyone else except for some cases of referencing aunts, uncles, and grandparents. An enormous amount of what makes up the economic habitus of the individuals is rooted in the home. The remainder of what makes up this habitus must be the youth's experience in the greater community, both school and home, despite the fact that there seems to be little formalized instruction on these matters. Students no doubt learn by osmosis in the habitus of their community. They observe the way things work and develop a sense of what is realistic and reasonable. However, people in our society tend not to wear badges indicating their annual income, so though through observation young adults may develop relative concepts of wealth, they do not necessarily know the nominal dollar figures that correspond to their images. In order to develop such understanding, students must either work themselves and make the necessary mental calculations, (i.e. in my job making \$8/hour that computes to, \$16,000 a year, and then scaling up appropriately), or, through internal family conversations, the students must have some inkling of what their parents make and what it takes through both education and work experience to arrive at such a salary. As on the whole the urban students are having the least conversations with parents about anything related to money, it is understandable that they would not have well founded concepts of realistic incomes, even if they were to do quite well for their level of educational attainment.

### **Credit Buying as a Model of the Habitus' Effects**

Aspirations for and understandings of income are no doubt augmented and tempered by the economic habitus of one's own home. This difference in the home economic habitus explains differences in the students' attitudes regarding payment by credit or installment plans as opposed to waiting to buy an item until after the full purchase price had been saved. I asked each student what he or she felt about the varying merits of either system, and to feel free to use examples of what one might purchase one way and what one might purchase the other. Nine of the ten urban students thought that credit and installment plans were perfectly fine or that they would use them. Only two of the urban students expressed any negative view of such payment methods, both being that using them created the added worry of meeting future payment deadlines. On the use of credit or installments, a comment from one young male representative of the majority attitude was that, "it's fine because sometimes you don't have all the money yet to get something, so that's the only way. There's some things you gots to have (sic)." This attitude emphasizes the means of obtaining certain necessities and desires; it reflects a home habitus of a low-income family. None of these students made mention of the additional costs of interest. The two students wary of installment plans focused their fears on the possibilities of debt accumulation from buying things one couldn't really afford.

The suburban students looked at installments plans and credit buying in a different way. While three students thought that buying on credit or payments

was never okay, except in the case of buying homes in the sense of a mortgage, the remaining students suggested that it was okay in some cases, not others. Several suggested that this was okay for a car, but nothing smaller, with the reasoning being that cars were pricier items and often could only be bought this way. On the other hand some thought that cars should not be bought this way whereas items of lesser value could be because the possibility of accumulating major debts was much less on smaller items. But where these students truly stand apart from the urban group is that half mentioned that the use of such plans has additional costs via the interest mechanism. The students revealed that parents had taught them of this added cost. Hence, they recognized a distinct tradeoff between the time of consumption and the full price of the item. Such fears suggest that thrift and wealth accumulation are more a part of the economic habitus of these individuals, as means of achieving future economic power, and of course this is only possible as these students hail from backgrounds where greater affluence allows for less installment buying.

The busing students once again provide us with the most thorough analysis. Like the suburban students, they held more nuanced views of some items being okay for installment buying but not others, and were generally wary of using these programs. However like the urban students, these students were likely to focus on such payment methods as a tool by which to make purchases that would otherwise be impossible. This exhibits the dual nature of their habitus at work – their less affluent background has socialized them to view these payment plans as sometimes the “only way,” but their experience among the more

affluent has clued them in to the risks that debt accumulation can impose to one's economic independence and striving for asset accumulation. These students stressed that installment plans created added worries, and that they were only acceptable when one is fairly certain that he has a steady stream of income by which to make the payments on time; they were not acceptable if a person was at all uncertain about the prospect of being able to make the payments. They see such plans as potentially disempowering due to debt and worrying. Only one of these students made mention of the tradeoff of the added interest costs, though this was not his primary concern, second to the added worries of owing money or holding debt.

These findings point to a divide in the economic habitus that does not fall along SES lines. Drawing on their low-income backgrounds, the busing and urban students share a philosophy that credit is a necessary buying tool. But only the busing students share the suburban students' attitude that credit and installments plans are potentially disempowering due to the added cost and the risk of debt. Note the divergence of the power/control and resignation habituses. One creates concern over maintaining financial control and looking forward, considering the consequences of debt buying. The other is more oriented on present needs and is passive with regard to debt accumulation and risk.

### **The Unique Habitus of the Busing Students**

While students tend not to see the role of the school in their own economic socialization, it certainly exists, especially as a medium that typically brings

together a large group of like-aged like-SES young adults, creating a vast reference group. In assessing the role of the school, one must always recognize that parents play some role in what kind of school a student attends. Lower income parents are faced with limited options because their economic resources often relegate them to urban areas with “bad” schools. Programs such as Boston’s Busing Program often provide the only alternative when a lower-income urban parent cannot afford private/parochial schooling. Busing Program parents made a conscious choice of where to send their children to school. The suburban parents are economically empowered to live in suburbs with “good” schools and often make their choice of where to live based on schooling.

I have already argued that, at heart, Busing Program students resemble suburban students in many ways because the parents of the two groups are akin in their attitudes about their children’s futures. It is thus that Busing parents have actively chosen to send their children to school away from the city, and that this choice is the “root” cause of many differences. That said, one must acknowledge that once that choice is made, it is the stark differences in the habitus of the educational community, and certain factors that one might refer to as the quality of the educational experience, that lead to differences between busing students and their city-educated urban group counterparts.

Attempting to isolate the effects of being part of the Busing Program from those of having a typical Busing Program parent, I decided to directly ask those students the following question: *Being that you live in one community in Boston but attend school in what you have described to me as a wealthier suburban*

*community* (all Busing participants had already described their school community in this way), *what effect do you think your education in this other community has had on any of the things we've discussed so far, including your outlook on life, your spending or saving habits, or future plans? Discuss whatever comes to mind.*" The responses to these questions were quite revealing and strongly support the theory of habitus as one that drives economic socialization.

All of the Busing Program students believed that the experience of this program had somehow improved their understanding of the world and gave them an better understanding of different lifestyles, which in turn better informed their own decision-making. Indicative of these feeling of improvement to one's awareness, one young woman who attends the high school in Battleton remarked:

Going to school in Battleton has dramatically changed how I do everything. I really don't want a life like the Battleton kids because growing up with them – I hate to say this – but most of the kids are snobby and stuck up having grown up with money, and I'm working hard to save up my money and they're crashing their BMWs and then getting another car. If I messed up my car, I'd end up having to fix it myself. I see this and I know I have to work extra hard to get money, and these guys get it without doing anything. I think it makes me a better person cause I'm earning on my own and saving on my own. They probably won't know how when they're older.

This person's attitude toward life in Battleton is not representative when it comes to the dislike of her peers, but it aptly demonstrates how the program can broaden a student's horizons. Another student from Battleton said that going to school there, she had learned a certain respect for wealthier kids, because she noted that while many of her friends in Battleton hold jobs, most in Mattapan where she lives do not. She explains, "It made me realize that just because people out there have a lot of money, kids still have jobs and need jobs. Not everyone is rich."

The experience of the Busing program seems to give its students a greater breadth of experience from which to make normative decisions and develop attitudes

about different lifestyles. There was one thing, however, almost universal to all the students' responses: being part of the Busing program had motivated them to save more and work harder. The reasons for this motivation are not all the same. While the first student cited above was motivated to work hard and save to not be like the "spoiled rich kids," many of the students mentioned that they were motivated to work hard and save so that some day they too could share in this wealthier lifestyle. A few even suggested that they were already working hard and saving, especially during the summers, so that during the academic year they could, in a consumption way, keep up with the kids from the suburban towns and participate in activities like going to a local Starbucks regularly. This reveals that students in the busing program adopt their classmates as a reference group, no doubt adjusting their aspirations upward from what they might have otherwise been. A few even suggested they would want to move to the towns where they had attended high school. This experience in affluence, chosen for these students by their parents, but socialized by the school environment, plays a greater role in these students lives because, rather than reinforcing the typical attitudes for their SES group, it provides a habitus in conflict with the one from their local communities and adds breadth to their experience.

### **Power/Control vs. Resignation Habitus, and the SES of individuals**

It should be noted that none of the students in this study viewed himself as a maverick where economic philosophy was concerned. Generally, the students exuded an attitude that the manner of their behavior is perfectly normal and understandable. In creating a definition of the habitus, Bourdieu deemed it "the

universalizing mediation, which causes an individual agent's practices, without either explicit reason or signifying intent, to be nonetheless "sensible" and "reasonable" (Bourdieu, 1977, 79). These subjects' individual circumstances – their economic habituses – have socialized them to adopt various understandings of what reasonable practices are. So, though their beliefs, attitudes, and ideas differ, none thought them to be especially unique or controversial. The processes of economic socialization thus help to rationalize one's choices in a particular context. Therefore, while there may not be a universal rational "economic man" – a single rubric for decision-making that any individual can utilize in any situation – individuals can act "rationally" in light of their individual rubrics that are developed in the context of their economic habitus.

While these interviews demonstrate certain class tendencies, both in terms of processes of economic socialization and also the economic philosophies of the individuals contained within each grouping of students, clearly each student is the product of a separate history of circumstances, begging the question of whether there are even groupings of economic philosophy, or if rather, each individual carries with him a completely unique set of ideas, attitudes and beliefs. Of course, with all the variables involved, there will be more economic philosophies than there are ways to order a Starbucks coffee; but, like the broadest categorizations in ordering coffee, small, medium, and large, there are some broad tendencies for what one might consider the central dogma of perhaps only a handful of economic philosophies. The findings above in concert suggest such

broad tendencies do exist that fit either the control/power model or the resignation model of the habitus.

However, what is the role of SES in determining in which habitus a student resides? Bourdieu argued in defining the habitus, “though it is impossible for *all* members of the same class (or even two of them) to have had the same experiences, in the same order, it is certain that each member of the same class is more likely than any member of another class to have been confronted with the situations most frequent for the members of that class” (Bourdieu, 1997, 85). This aspect of habitus can provide a fairly thorough explanation for some of the differences already noted, such as possession of certain kinds of savings instruments, as well as understanding of certain concepts like stocks or mortgages. Busing program students provide the most interesting test to Bourdieu’s theory because these students share experiences typical to two disparate class groups.

At the same time one must not lose sight of the myriad differences that can exist and for which there are notable affects *within* the same SES. For instance, the trajectory of one’s SES or that of his family is highly likely to affect the habitus of the individual. Recall those suburban students whose parents used anecdotal advice about their childhood in a lower SES group. For these students, the means by which the higher SES was achieved are likely to be stressed. Such a trajectory is also likely to imbue the individual with a certain level of optimism that would not be found by someone whose family has slid from a solidly middle class position into a working class or poor position. This is but one variable

extrinsic to current SES that represents the economic habitus and thus affects the socialization of the individual. Sociologists going back to Weber (1930) have argued about the role both culture and religion play in such a formulation as economic philosophy. His “protestant ethic” can be thought of as simply one class of economic philosophy with the central dogma that hard work and thrift pave the way to success and heaven. Along similar lines, I have explored two particular groupings of philosophy that derive from two variants on the economic habitus. The suburban and busing students seem to have been habituated in what I’ve called the power and control habitus, whereas the urban students inhabit the resignation habitus.

In the first chapter of this work, I spent a great deal of time reviewing theories of why economic inequality existed in America, and I promised to analyze the “choice” aspect of this puzzle. I wanted to develop a model of how differences in economic philosophy, at least in the young adult stage of life, might lead to different patterns of wealth accumulation as the young adults graduate into the real world. The importance of the economic socialization process is that it is largely deterministic as to how empowered a young adult will be to take advantage of the opportunities which exist in formal financial tools and the formal labor market in his or her adult years. For whatever reason, it appears that the urban parents in this study are not taking as proactive an approach as other parents in socializing their children to join the economic world. This leaves these students at a disadvantage that probably repeats itself in turn with the next generation.

What is the commonality underlying the similar philosophies held by the suburban and busing students? These students find themselves in a common habitus that emphasizes financial agency and independence, the achievement of one's aspirations and dreams, and in a sense, a certain level of power. In one way or another, their parents instill a sense that society is hierarchically structured and that a relatively upper location on this hierarchy is open to their children, but only if they focus on the future and make specific choices and use institutions and authority to their benefit. The difficulty of reaching such positions is especially stressed by the parents in the Busing Program who are themselves not presently in the upper part of this hierarchy. They might be less able to teach their children about financial tools through real life stock trading as some suburban parents do, but they recognize such tools as important and empowering. On the other hand, urban parents are more detached from playing an active role in shaping the economic habitus of their children. From the interviews I get the sense that these parents do not see this aspect of socialization as all that important, perhaps because they believe that their own lower level on the social hierarchy will automatically be reproduced in their children. Therefore, these parents focus mainly on how their children can properly budget themselves to make ends meet in the present. The other parents focus more on saving for long-term asset accumulation. Because of the similarities between the parents of the suburban and busing students, as well as their common school background as chosen by the busing parents, busing students have tended to mirror suburban students except in cases where the limitation of family income or assets makes similar behavior

between the two groups impossible or unlikely, even if the underlying philosophies are the same.

**Conclusion:*****A Nuanced View of Economic Habitus and Its Implications***

Although restrained in some cases by their families' poorer background, busing students share more of a habitus with the suburban students in part because both groups attend the same schools, and mostly because both have parents with similar values and child rearing styles. Such factors create an economic habitus for these children that in the case of the suburban students orients them toward reproducing their middle to upper-middle class status and in the case of the busing students orients them toward working their way up the economic ladder into the middle class. Being middle class or higher calls for a certain level of financial agency, a constant look forward, and recognition of the importance of formal economic institutions, including the belief that these institutions can work for one's own benefit. Factors in the urban students life such as their "poor" school atmosphere and more laissez-faire parenting create an economic habitus for these children that orients them to resign themselves to continuing in a less affluent poor or working class status. Being poor or working class tends to reflect a lesser education and lower-status income-occupation, distrust of formal institutions, and more of a focus on the present applications of money (in part due to immediate need) rather than future earmarking of dollars in the life-cycle hypothesis discussed by Campbell and Mankiw (1989, 1990, and 1991).

That students from the same socioeconomic background (the busing group and the urban group) could have such divergent philosophies, while sharing the same class was somewhat surprising, but has been previously observed. In

interviewing a large group of white teens from a metropolitan housing project, called the “Hallway Hangers” MacLeod (1987) found that,

Having grown up in an environment where success is not common, the Hallway Hangers see that the connection between effort and reward is not as clear cut as the achievement ideology would have them believe. Because it runs counter to the evidence in their lives and because it represents a forceful assault on their self-esteem, the [group] repudiates the achievement ideology. Given that their parents are inclined to see the ideology in the same light, they do not counter their sons’ rejection of the American Dream (p. 140.).

Yet, MacLeod’s study also worked with a large group of black teens called “the Brothers,” from the same housing project. He found this group to be much more hopeful about the future and aspiring to greater achievements. He reasons that,

As black teenagers, the Brothers interpret their families’ occupational and education records in a much different light than do the Hallway Hangers. Judging by the Brothers’ constant affirmation of the equality of opportunity, the boys believe that racial injustice has been curbed in the United States in the last twenty years. Whereas in their parents’ time the link between effort and reward was very tenuous for blacks, the Brothers, in keeping with the achievement ideology, see the connection today as very strong (p. 141).

Here we see a clear divergence in attitudes within the same class, which MacLeod attributes to racial differences. One could imagine other possible factors that would cause a like divergence such a particular life events, religion, or SES trajectory.

MacLeod concluded that Bourdieu’s habitus is more than a matter of class.

He explains:

Although Bourdieu never really develops the notion along these lines, he does allude to the complexity and interplay of mediations within the habitus. [MacLeod Quoting Bourdieu, 1977, 87]: ‘The habitus acquired in the family underlines the structuring of school experience, and the habitus transformed by schooling, itself diversified, in turn underlies the structuring of all subsequent experiences (e.g. the reception and assimilation of the messages of the culture industry or work experiences, and so on, from restructuring to restructuring’ (MacLeod, 1987,138).

Thus, MacLeod argues:

Although Bourdieu sometimes gives the impression of a homogeneity of habitus within the boundaries of social class, I understand habitus to be constituted at the level of the family and thus can include, as constitutive of the habitus, factors such as ethnicity, educational histories, peer associations, and demographic characteristics. (MacLeod, 1987, 138).

Based on my interviews with students, I agree with MacLeod's assessment. Socioeconomic status, while helpful, is too broad a category to explain the habitus. As both of our sets of interviews found, within the SES group, very different ideologies can take hold. My research has been focused exclusively on economic philosophy and its socialization in young adults, but certainly other research can and should be conducted to explore how parents or schools adopt certain methodologies to the roles they play in socializing children.

The preceding research demonstrated that although the busing students differed from the urban students both in terms of their school environment and peer reference group, both of these differences were at heart caused by differences in parental attitudes. Unfortunately, the questions posed to students in this study were not designed to derive the cause of such parental differences within the same class. Perhaps some of MacLeod's explanation for differences between the "Hallway Hangers" and the "Brothers" apply here. My sample size did not include large enough numbers or a diverse enough group to test race as a variable. Although they must be minorities by law, by chance, all of the Bussing Program students I interviewed were black. One could postulate that the parents of this group feel that their own children have more opportunities and a better chance than they once did due to improved race relations in this country. Therefore, they may have a hope and optimism that by mimicking those who are already solidly middle class, and by sending their children to better schools than what they can afford through private school or choice of residence, their own children can finally achieve that aspect of the American Dream. Of course, my urban group

also had black students, so how such differences might apply racially remains unclear. In fact, any number of variables might explain why these busing parents seem to have a typically suburban parent mindset; I unfortunately don't know enough about any of the parents to confidently state why.

In the first chapter, I warned readers to the possible bias inherent in the fact that the busing students were a self-selecting group of individuals because parents had opted in to this program. At this point, however, I hope it is clear that this 'bias' is actually quite revealing about the parental attitudes of this group of students, and can open one's eyes to the role parents play in shaping their children's economic habitus. The other source of bias aforementioned was that all students in the survey were self-selecting, some claiming they like to talk about themselves, others that they liked either sociological or financial topics. While a few students claimed that they like to talk about themselves, this was not systemic. Some students were shy and/or succinct with their answers, having to be wrangled and prodded to give the full answer in some cases. As for student interest in the topics, economic socialization is too massive of a process to be completely correlated to any one interest. Despite the fact that such an "interest bias" could have affected all three groups to have a higher level of economic understanding, the differences shown between groups were still observed. Also, such interest was expressed no more than five times, and only from students in the suburban and busing groups, suggesting that these groups may have been socialized into having such interests in the first place.

The findings of this study have some profound implications, especially in terms of income inequality, though continued research is certainly called for. I began Chapter One by suggesting that in addition to several reasons beyond one's control, economic inequality was also a factor of choice, with people holding different economic philosophies allocating their time and resources in varying ways that either encourage or limit the accumulation of wealth and financial assets. The contrasts between the busing and urban students, especially the differing future educational and occupational aspirations of these groups, suggests that in the same SES group, individuals can be socialized into disparate mindsets, one which encourages social mobility and one which reproduces class distinctions.

I do feel that the busing students have a much higher chance of achieving middle class status than do their urban counterparts. The mindset of these students as socialized by the power/control economic habitus has oriented them into an achievement mentality that can promote moving up the economic ladder. Arguably, these students have more limited choices than the suburban students for higher education, perhaps limited to low tuition schools or schools with scholarships or extensive financial aid. But based on their motivations, they will more likely achieve this education than any of the urban students, and are more likely to be conscious of how each of their financial decisions affects their future aspirations to live a more middle class life. Sharing an economic philosophy with the suburban group, I hypothesize, will by and large help guide them into the middle class. Notably, students in the busing program are only a

very small minority (3.6%) of Boston public school students at large. That this pool is so limited almost leads one to the Marxist suggestion that society is by-and-large reproducing class differences and that the busing students are very much the exception, not the rule.

What to do depends on the society's commitment toward limiting income, wealth, and financial inequality and boosting class mobility. If one believes in opening the doors of class mobility, the evidence suggests that the busing program offers a world of opportunity to those lower-income minority students who attend school with suburban youth who already find themselves in an advantageous situation. If one believed that class barriers rather than racial barriers, were those most in need of correction, he would no doubt support that the busing program be open to all lower-income urban youth rather than just minorities. I have certainly drawn that conclusion myself. Recall also that youth in the busing program claimed that their participation in it opened their eyes to how the upper-half lives. Similarly, I would argue that there could be something gained by giving wealthier students an opportunity to share in the school habitus of lower income students through a *reverse busing program*. As Schor (1998) argues that Americans are wildly overspending, in part due to their increasingly high reference groups, it might mitigate this overspending to let wealthier students see how the lower half lives. Such a program is, however, highly unlikely for all the obvious reasons.

Similarly, I would argue in conclusion that the only way to change the economic habitus of the urban young adults, if so desired, would be via the formal

school system. The words vicious cycle come to mind in terms of the parent-child relationship of economic socialization of these urban youth. If one wanted to instill financial agency, a future orientation, and trust and use of formal institutions for one's own benefit in the economic philosophies of these young adults, the best approach would be through a formal curricular shift which formalizes economic education and familiarizes students to its concepts. In fact, based on student response in all three groups, and the obvious importance of any young adult's understanding of and attitudes toward the economy, I would call for economic education as a part of every high school's mandatory curriculum as a way to prepare young adult's for the options and choices that face them. The problem of course, is that there are vast political implications to using the school system as a way of shaping young adult's economic philosophies, and therefore, behaviors.

More research is certainly needed on this and other aspects of socialization and the affect of a disjunct habitus, such as that inhabited by the Busing Program students. While the Busing Program may be unique to Boston, there are certainly metropolitan areas with other "alternative" choices that parents of lower-income groups can lottery their children into, such as charter schools and various school voucher programs. Certainly a comparison of young adults who opt-in to such alternate choice programs and children who remain in the traditional urban public school system would mirror the structure of this study and would hopefully confirm my conclusions in another setting.

The need for such a study begs the question, if such alternate choice programs as the Busing Program plucked students at random from the pool of city public school students, would such randomly selected students compare closely to the pool of students interviewed who's parents opted-in to the program? Taking Bourdieu's concept of the habitus, as elaborated by Macleod, by which one accepts that the root of the habitus is in the family, I would venture that the results in such a case would not be the same. The parents of such randomly selected students would not have the same mentality and philosophy to their childrearing as the self-selecting parents of the current Busing Program students.

Another obvious study of interest would be one conducted much as my own, interviewing three similar groupings of students in their last high school years, but then returning to these adults again after perhaps five, ten, and fifteen years, to see how post high-school work or education both influences and refines their economic philosophy and position in the class structure. Such a study could also track the relative success of student in the busing program as compared with their urban counterparts. Such a worthy longitudinal study is unfortunately beyond the possible scope and time constraints of this study, but would be well worth the pursuit of future research.