



Why Thrift Matters

**HOW
THRIFTY
ARE AMERICANS?**

The Thrift Quiz and
Thrift Index

THRIFT

Institute for American Values

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

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TIME FOR A NEW THRIFT

For several decades we Americans have lived in a debt culture. We spent more than we earned, neglected to save, and wasted precious resources.

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

We believe that now is the time to replace the debt culture with a new culture of thrift.

The two resources contained in this document, the Thrift Quiz and Thrift Index, provide valuable information about the current vitality of thrift culture in America.

WHAT DO AMERICANS THINK ABOUT THRIFT?

Results from a National Survey

Thrift is not a new idea. In Benjamin Franklin's day, thrift was a big idea, encompassing at least three components: industry, frugality, and stewardship. But how much of the big idea of thrift remains in the popular imagination today?

In order to promote a New Thrift movement, we need to understand what Americans know about thrift. Gauging Americans' current knowledge of thrift will help us focus our thrift education efforts. Measuring thrift knowledge again in the future will let us know if and how the New Thrift movement is changing minds.

In the first-ever attempt to reliably measure what Americans know about thrift, we gave a ten-question "thrift quiz" to a nationally representative sample of Americans. The thrift quiz was included as part of the 2010 American Saver Survey, a survey administered by Knowledge Networks. The ten questions are listed below.

Answer each question for yourself first and then turn the page to see how you and your fellow Americans did.

THE QUESTIONS

Q1. The word that is closest in meaning to thrift is:

- a. Thriving
- b. Saving
- c. Protecting

Q2. Being generous is:

- a. The opposite of being thrifty
- b. The same as being thrifty
- c. A part of being thrifty

Q3. Borrowing money:

- a. Can be a good if it will increase your wealth in the future
- b. Is never a good idea
- c. Can be good if it's for something that you really want

Q4. Thrift is:

- a. Wise use of money
- b. Always buying the least expensive thing
- c. Getting as much money as possible

Q5. Thrift focuses on:

- a. Earning
- b. Planning
- c. Saving
- d. All of the above

Q6. The OPPOSITE of thrifty is:

- a. Selfish
- b. Wasteful
- c. Generous

Q7. A thrifty person believes what I have:

- a. Is my private property to use as I wish
- b. Is a gift to be used for myself and others
- c. Belongs to the community

Q8. Over a lifetime, a thrifty person will probably:

- a. Spend less than a person who is not thrifty
- b. Spend more than a person who is not thrifty
- c. Spend about the same as a person who is not thrifty

Q9. In order to help the economy grow, it is better for Americans to:

- a. Save more
- b. Spend more

Q10. In your opinion, if Americans became more thrifty, what difference would it make?

- a. It would be good for the country
- b. It wouldn't make much difference
- c. It would hurt the country

THE ANSWERS

Q1. The word that is closest in meaning to thrift is:

- a. **Thriving**
- b. Saving
- c. Protecting

Proportion of Americans giving the correct answer: **8.7%**

While thrift has meant different things over time, the root of the word thrift is “to thrive”; it’s a pathway to living the abundant life. Most Americans (80.6 percent) thought “saving” was the word closest in meaning. While saving is certainly a *part* of thrift, this answer shows that most Americans have forgotten the comprehensiveness of the thrift ethic, with its implications for our families, neighborhoods, economy, and planet.

Q2. Being generous is:

- a. The opposite of being thrifty
- b. The same as being thrifty
- c. **A part of being thrifty**

Proportion of Americans giving the correct answer: **37.6%**

Most Americans (53.6 percent) said that generosity was “the opposite of being thrifty.” This misunderstanding may be due to an (incorrect) association of thrift with “stinginess” or “miserliness,” a misinterpretation that earlier thrift advocates constantly fought against. As one pro-thrift pamphlet put it, “Thrift doesn’t mean miserliness—it merely means common sense applied to spending.”¹

Q3. Borrowing money:

- a. **Can be a good if it will increase your wealth in the future**
- b. Is never a good idea
- c. Can be good if it's for something that you really want

Proportion of Americans giving the correct answer: **48.4%**

About half of Americans got this one right. Thrift isn't allergic to borrowing, though thrifty borrowing is for building wealth over time, not for purchasing consumables.

Q4. Thrift is:

- a. **Wise use of money**
- b. Always buying the least expensive thing
- c. Getting as much money as possible

Proportion of Americans giving the correct answer: **81.2%**

The association of thrift with "wisest use" has apparently remained strong. Of course, thrift involves more than just using money wisely. Thrifty people are wise stewards of all kinds of resources.

Q5. Thrift focuses on:

- a. Earning
- b. Planning
- c. Saving
- d. All of the above**

Proportion of Americans giving the correct answer: **65.7%**

Maybe we gave this one away a little by including the “all of the above” option. Still, a third of Americans think of thrift as a one-dimensional concept, and most of the people who got it wrong (23.9 percent) answered “saving.”

Q6. The OPPOSITE of thrifty is:

- a. Selfish
- b. Wasteful**
- c. Generous

Proportion of Americans giving the correct answer: **87.1%**

Most Americans still get the idea that thriftiness is the sworn enemy of waste. “Selfish” isn’t a bad answer either, since generosity is an important part of a fully developed concept of thrift.

Q7. A thrifty person believes what I have:

- a. Is my private property to use as I wish
- b. Is a gift to be used for myself and others**
- c. Belongs to the community

Proportion of Americans giving the correct answer: **39.3%**

This is a tricky one, but we really wanted to explore an important quality of thrift. Most Americans (54.9 percent) answered that a thrifty person believes that “what I have is my private property to use as I wish.” Certainly, a thrifty person can be and usually is a believer in private property. Thrifty generosity, however, is animated by an idea bigger than property law. The core idea of trusteeship, or stewardship, teaches that everything we own, we hold in trust with a moral obligation to consider our neighbors and future generations.

Q8. Over a lifetime, a thrifty person will probably:

- a. Spend less than a person who is not thrifty
- b. Spend more than a person who is not thrifty**
- c. Spend about the same as a person who is not thrifty

Proportion of Americans giving the correct answer: **6.7%**

Here again, most Americans have apparently lost much of the richness of the thrift concept. Most thought a thrifty person would spend less over a lifetime, when in reality a person who saves and uses resources wisely will typically have more to spend and to give. The misunderstanding here is a key one because thrift is truly about *creating*, *using*, and *sharing* wealth, rather than *hoarding* it. Thrift is about increasing one’s capacity to live and enjoy life, not about fearfully squirreling away as much as possible.

Q9. In order to help the economy grow, it is better for Americans to:

- a. **Save more**
- b. Spend more

Proportion of Americans giving the correct answer: **42.8%**

After being told for decades by advertisers, economists, and presidents that we should spend our way out of economic trouble, a slight majority of Americans agree. However, our results show that a large minority, when forced to choose saving or spending, believe that saving more money is best to stimulate economic growth. Of course, both saving and spending are important in a healthy economy, but some experts have recently argued that Americans' high personal debt and lack of savings is slowing economic recovery.²

Q10. In your opinion, if Americans became more thrifty, what difference would it make?

- a. **It would be good for the country**
- b. It wouldn't make much difference
- c. It would hurt the country

Proportion of Americans giving the correct answer: **51.7%**

A slight majority of Americans taking this position is promising, but there is also plenty of room for improvement. Nearly 20 percent of Americans thought a mass move toward thrift would *hurt* the country. We suspect that the lukewarm view of thrift revealed in this question is mostly because many Americans don't fully understand what thrift is (as these results attest). The influence of the spend-'til-you-drop debt culture is also a likely suspect in dampening enthusiasm for a New Thrift.

AMERICA'S THRIFT QUIZ AVERAGE RESULTS = 4.7 CORRECT ANSWERS OUT OF 10 (47%)

What do Americans know about thrift? Not enough to earn a passing grade on our quiz. The average grade was very similar across social groups as well, though college-educated Americans performed about half a point better than their less educated counterparts (still a failing grade!). It looks like everyone will have to take this class again.

While our grade analogy is all in good fun, there is a serious point to this quiz. Across the board Americans seem to have a withered idea of thrift. And what's at stake is more than just a quibble about the "proper" definition of a word. Thrift does imply avoiding waste, not spending what you don't have, and planning for a rainy day. But Americans are missing the core concept: thriving, flourishing, and expanding. Thrift is about working inventively and industriously, investing and (yes) saving wisely, so that you can share and enjoy the fruits of your labors. As the quiz results show, the New Thrift movement has plenty of work to do in educating Americans about the richness of thrift.

1. *Savings Share Stamps* (Walton, NY: Walton Co-operative Savings and Loan Association, 1931), quoted in David Blankenhorn, *Thrift: A Cyclopedia* (West Conshohocken, PA: Templeton Foundation Press, 2008), 222.

2. Carmen M. Reinhart, Kenneth S. Rogoff, "Too Much Debt Means the Economy Can't Grow," June 13, 2011, View, op-ed, *Bloomberg*, <http://www.bloomberg.com/news/2011-07-14/too-much-debt-means-economy-can-t-grow-commentary-by-reinhart-and-rogoff.html>.

HOW THRIFTY ARE AMERICANS?

The 2011 Thrift Index

WHY DO WE NEED A THRIFT INDEX?

We don't have to look hard to find out how much Americans are spending. And nearly every day newspapers, websites, and newscasts tout the latest measure of how deeply the average American is mired in debt. We have a good idea of how much we're buying and selling and we get regular reports on business growth or recession, but *how thrifty* are we?

As far as we know, no one has attempted to measure thrift before; we think the time has come to give it a try. A growing New Thrift movement needs a way to measure thrift. We need to know how we're doing and how far we still have to go.

A Thrift Index can help the New Thrift movement in two important ways. It gives us

- A way to check the health of thrift in America. It can be used as a diagnostic tool to gauge which aspects of thrift are flourishing and which aspects need to be resuscitated.
- A number to offer alongside the other important economic indicators widely circulated in popular culture. It is another way to put thrift back on the radar screen for many Americans.

Measuring Thrift

Thrift is a multidimensional concept that cannot be reduced to a single dimension, like saving or recycling or industriousness. While its multidimensionality makes thrift applicable in many situations, it also makes thrift tricky to measure.

We began with a conceptual model that we believe captures the most important aspects of thrift and experimented with different ways to measure them. We also solicited feedback from several social scientists and thrift experts. Some good ideas didn't make it into the final product, but we think the resulting "Thrift Index" below is a strong start at measuring thrift in America.

What does the Thrift Index measure?

Since thrift is multifaceted, a good index should capture all the major components of thrift. Thrift comprises three concepts: *industry*, *frugality*, and *stewardship*. Leave out any one of these concepts and you have something less than thrift.

Industry is hard work and inventiveness; making and doing things that contribute to human flourishing.

Frugality is wise use of resources. Frugality is not miserliness, but it is the opposite of waste.

Stewardship is the prudent, responsible management of what is entrusted to our care. It is the altruistic dimension of thrift. All our labor and resourcefulness is not just for our own benefit. Stewardship recognizes our common humanity and that the good things of life are best enjoyed when they are shared within and across generations.

For each of the three facets of thrift, we've carefully selected two indicators to contribute to the index.

- **Industry** is measured by an indicator of entrepreneurial activity and a measure of the perceived value of hard work.
- **Frugality** is reflected by the personal savings rate and the percentage of Americans who have no credit card debt.
- **Stewardship** is composed of the municipal recycling rate and a measure of charitable giving.

Because the source indicators do not all measure the same kind of thing at the same level or using the same scale, we convert each indicator into a **thrift score**. The thrift score is a number from 0 to 100 that gives us an idea of how we're doing in each area of thrift. We can then average the numbers to get a combined thrift score for the year. Below, we give the overall thrift score for 2010, along with more information on each of the facets of thrift and how the scores have changed over time.

2010 THRIFT SCORE = 40.1

SUMMARY

| | |
|--------------------------|------|
| Industry | 51.8 |
| Entrepreneurial activity | 34.0 |
| Value of hard work | 69.6 |
| Frugality | 41.7 |
| Personal savings | 26.5 |
| No credit card debt | 56.8 |
| Stewardship | 26.9 |
| Municipal recycling | 33.8 |
| Charitable giving | 20.0 |

INDUSTRY = 51.8

ENTREPRENEURIAL ACTIVITY = 34.0

| <i>Year</i> | <i>Thrift Score</i> |
|-------------|---------------------|
| 1996 | 31.0 |
| 2000 | 27.0 |
| 2005 | 29.0 |
| 2010 | 34.0 |

SOURCE: *Kaufmann Index of Entrepreneurial Activity*, multiplied by 100.

WHAT DOES A SCORE OF 100 MEAN?

A 100 would mean that 1 percent of the adult population was starting a new business each month, a very high level of entrepreneurial activity.

DESCRIBING THE TREND: Industry is more than hard work alone. Inventiveness and the willingness to take a risk on a good idea are important parts of thrift. Of course, not every American can always start a new business, but a high degree of entrepreneurial activity means plenty of fresh ideas and opportunities. Small businesses promote thrift not only by providing opportunities for hard work, but by innovating the goods and services that contribute to human flourishing. Entrepreneurial activity has been relatively steady over the last fifteen years, with a small uptick in 2010. Notably, certain subpopulations are especially thrifty when it comes to entrepreneurship: Latinos garner a 2010 thrift score of 56.0 and immigrants score 62.0.

VALUE OF HARD WORK = 69.6

| <i>Year</i> | <i>Thrift Score</i> |
|-------------|---------------------|
| 1973 | 64.5 |
| 1980 | 64.3 |
| 1990 | 65.8 |
| 2000 | 65.8 |
| 2010 | 69.6 |

SOURCE: *General Social Survey*, percentage of Americans saying hard work is the way to “get ahead.”

From the question: “Some people say that people get ahead by their own hard work; others say that lucky breaks or help from other people are more important. Which do you think is most important?”

WHAT DOES A SCORE OF 100 MEAN?

A 100 would mean that 100 percent of Americans believe that hard work is more important than lucky breaks or help from other people.

DESCRIBING THE TREND: Hard work has always been an important part of thrift. Historically, Americans have been known for our work ethic—laboring long, productive hours until we get the job done. This indicator shows that the value of hard work is alive and well, perhaps even on the rise. Importantly, hard work is contrasted here with getting ahead by luck. Luck is closely aligned with the nearsighted, get-rich-quick values promoted by gambling interests and usurious lenders. While we don’t discount good fortune or a helping hand, hard work is the thrifty foundation for getting ahead.

FRUGALITY = 41.7

PERSONAL SAVINGS = 26.5

| <i>Year</i> | <i>Thrift Score</i> |
|-------------|---------------------|
| 1960 | 36.0 |
| 1970 | 47.0 |
| 1980 | 49.0 |
| 1990 | 32.5 |
| 2000 | 14.5 |
| 2010 | 26.5 |

SOURCE: Personal Savings Rate, as computed by the U.S. Bureau of Economic Analysis. Thrift score reflects a twelve-month average multiplied by five.

WHAT DOES A SCORE OF 100 MEAN?

A 100 would mean that Americans are saving an average of 20 percent of their disposable income.

DESCRIBING THE TREND: Thrifty saving is prudential without being stingy. Hence, a thrift score of 100 represents saving 20 percent of disposable income, leaving the rest of one's income for necessary expenses, recreation, and giving.

As seen in the trend line, Americans' savings habits have fluctuated over the last fifty years. The thriftiest month over this period was June 1975, when Americans registered a thrift score of 73. Americans were especially thrifty in the early 1980s, while struggling to pull out of a deep recession. For example, over a ten-month period from 1981 to 1982, the thrift score never dipped below 50. By contrast, the booming mid-2000s were a

time of wanton debt and spending. From January 2005 to May 2008, the thrift score never topped 15. The Great Recession appears to have reawakened thrifty savings habits for some Americans, though the current score is still far from ideal.

NO CREDIT CARD DEBT = 56.8

| <i>Year</i> | <i>Thrift Score</i> |
|-------------|---------------------|
| 1989 | 60.3 |
| 1995 | 52.7 |
| 2001 | 55.6 |
| 2004 | 53.8 |
| 2009* | 56.8 |

**Most recent data available, drawn from the panel subsample of the SCF.*

SOURCE: U.S. Federal Reserve Board, tables from the triennial *Survey of Consumer Finance (SCF)*, percentage of families (i.e., households) holding no credit card balance.

WHAT DOES A SCORE OF 100 MEAN?

A 100 would mean that 100 percent of American households have no outstanding credit card debt.

DESCRIBING THE TREND: There are many ways to measure the indebtedness of Americans, nearly all of them attended by some dispute about whether the debt in question is “good” debt. Credit card debt, however, is easily measured and almost always considered a “bad” debt. Households that avoid carrying a balance on their credit cards are being frugal by avoiding a convenient, but high-interest, debt.

The percentage of families avoiding credit card debt has remained fairly stable over the past twenty years. The latest figure, from 2009, is the highest since 1989, indicating that the Great Recession may have driven some Americans to rely on credit card debt.

Two additional points: (1) Not all Americans have access to credit cards. However, since the industry began exploiting the sub-prime market in the 1980s, the vast majority of American households can obtain a credit card. (2) The *SCF* probably over-reports the number of households with no credit card debt.¹ Thus, Americans are probably less frugal than our measure indicates, and the need for a New Thrift is greater than these numbers show.

1. Jonathan Zinman, "Where Is the Missing Credit Card Debt? Clues and Implications," *Review of Income and Wealth* 55, no. 2 (June 2009): 249–65; available at SSRN: <http://ssrn.com/abstract=1400388> or doi: 10.1111/j.1475-4991.2009.00321.x.

STEWARDSHIP = 26.9

MUNICIPAL RECYCLING = 33.8

| <i>Year</i> | <i>Thrift Score</i> |
|-------------|---------------------|
| 1960 | 6.4 |
| 1970 | 6.6 |
| 1980 | 9.6 |
| 1990 | 16.0 |
| 2000 | 28.6 |
| 2009* | 33.8 |

**Most recent data available.*

SOURCE: U.S. Environmental Protection Agency, municipal recycling rate.

WHAT DOES A SCORE OF 100 MEAN?

A 100 would mean that municipalities were recycling 100 percent of their solid waste.

DESCRIBING THE TREND: Trusteeship includes taking into account the needs of future generations. Thus, long before the modern Green Movement, thrifty Americans advocated for wise use of natural resources. Despite the efforts of these thrift pioneers, Americans have sometimes earned (and deserved) a reputation for prodigality. It is encouraging, then, that no measure of thrift has seen more growth over the last fifty years than municipal recycling. The rise in recycling is surely due to the efforts of environmentalists who have alerted Americans to the many dangers of wasting our natural resources. Equally important has been the response of various municipalities to institutionalize recycling by including it as a regular and visible part of city utilities.

CHARITABLE GIVING = 20.0

| <i>Year</i> | <i>Thrift Score</i> |
|-------------|---------------------|
| 1970 | 20.0 |
| 1980 | 18.0 |
| 1990 | 17.0 |
| 2000 | 23.0 |
| 2010 | 20.0 |

SOURCE: GivingUSA 2011, *Annual Report on Philanthropy for 2010*. Total giving as a percentage of the Gross Domestic Product (GDP), multiplied by ten.

WHAT DOES A SCORE OF 100 MEAN?

A 100 would mean that total charitable giving was equivalent to 10 percent of the GDP, a very high level of philanthropic activity.

DESCRIBING THE TREND: Far from being miserly, thrift has historically been associated with generosity. In fact, one of the reasons to use resources wisely is so that we can share them with others and make sure they are available for future generations. Thrifty persons recognize that giving is one of the great joys of human life. Americans are certainly generous in absolute terms, which is reflective of the tremendous wealth our hard work and inventiveness has generated. In relative terms, however, there is plenty of room to share more of our abundance. Relative giving has remained remarkably stable for the past forty years.

OVERALL THRIFT

| <i>Year*</i> | <i>Thrift Score</i> |
|--------------|---------------------|
| 1996 | 37.1 |
| 2000 | 35.8 |
| 2005 | 34.8 |
| 2010 | 40.1 |

**We use data from the nearest available year when one of our measures is missing data for a particular year.*

So how thrifty are we? According to our New Thrift Index, the value of thrift may be rising in America, but we've still got a long way to go. Not surprisingly, Americans' value of hard work is the strongest component of the index. On the downside, personal savings are low and charitable giving is stagnant. Among the most hopeful signs of renewed thrift are steadily climbing recycling rates, a rebounding personal savings rate, and a trend toward fewer households carrying credit card debt.

This index, which shows a modest but encouraging rise in thrifty attitudes and behaviors, is just one among many indicators that the New Thrift's time has arrived.

ABOUT THE THRIFT INITIATIVE

Through research, public education, civic action, and policy reforms, our aim is to promote savings opportunities and incentives for Americans of modest means and to establish thrift as a broadly achievable, financially rewarding, and culturally favored way of life.

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