

ECONOMIC DURESS

AND FAMILY DECLINE

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Throughout this conference you will be depressed by the news from throughout the world that the family is in broad retreat from the assaults of socialism and multi-culturalism. The news is no different from my own country, the United States of America.

However, today I will present to you evidence that the underlying fabric of marriage and family in the USA is more resilient than it would appear. What I shall demonstrate is that *the single most important reason for the decline of formation and permanence of marriages and of child rearing within marriages has been the decline and continuing depression of married family incomes since 1973. That decline of family income was principally due to excessive growth of government taxation during the post-1965 period, which government primarily spent on dysfunctional alternatives to the family.*

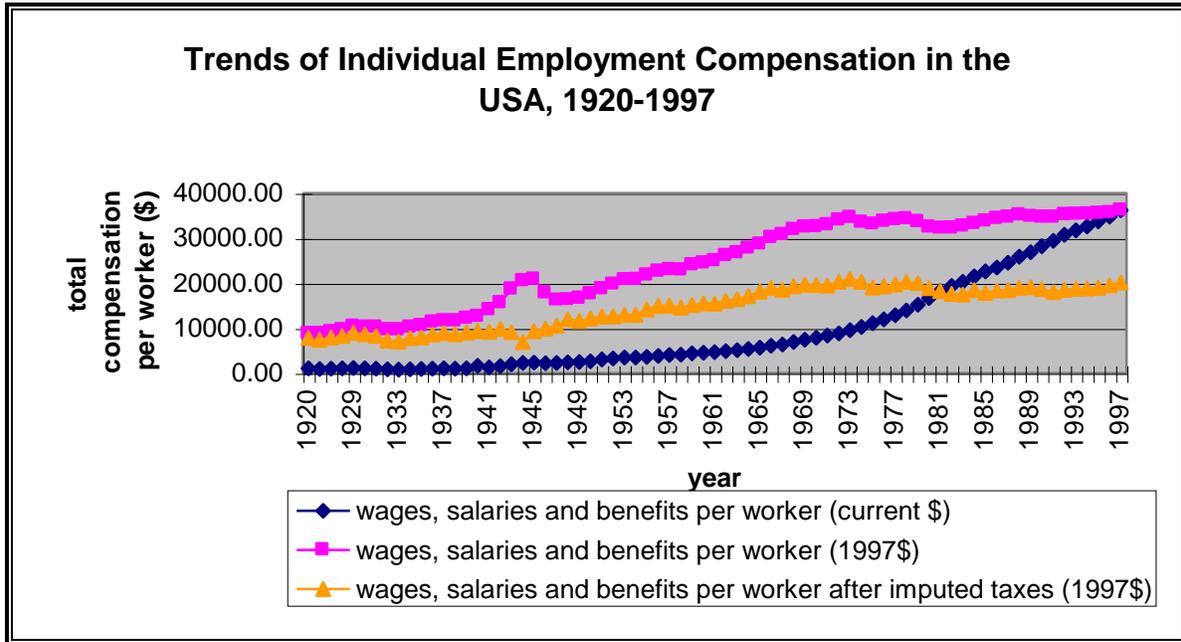
Certainly the so-called “Soaring Sixties” did unleash a *cultural* revolution in the United States. To the limited extent that its foundations were *economic* they relied on the notion that the unprecedented growth of post WWII prosperity could be assumed to be automatically assured in future. This assumption was important to encouragement of individual material and sexual gratification no longer answerable to family, community or church. The economic growth dividends were to finance Utopian government that would take responsibility for the consequences – as well as all other social ills.

The extent of this revolution was remarkable, as sexual license, no-fault divorce and abortions superceded traditional American family values. Live-ins, communes, homosexuality and unwed motherhood appeared to be creating a new society during the Seventies. Marriage rates and birth rates within marriage plummeted and divorce soared, and family America has still not yet recovered.

Yet today everywhere one goes one sees the vast majority of American adults paired as traditional couples, whether married or not. Why then the continuing depression of family demographics? The answer can be substantially explained by the depression of after tax family incomes that prevented family formation, caused family divorces and limited child bearing within marriages.

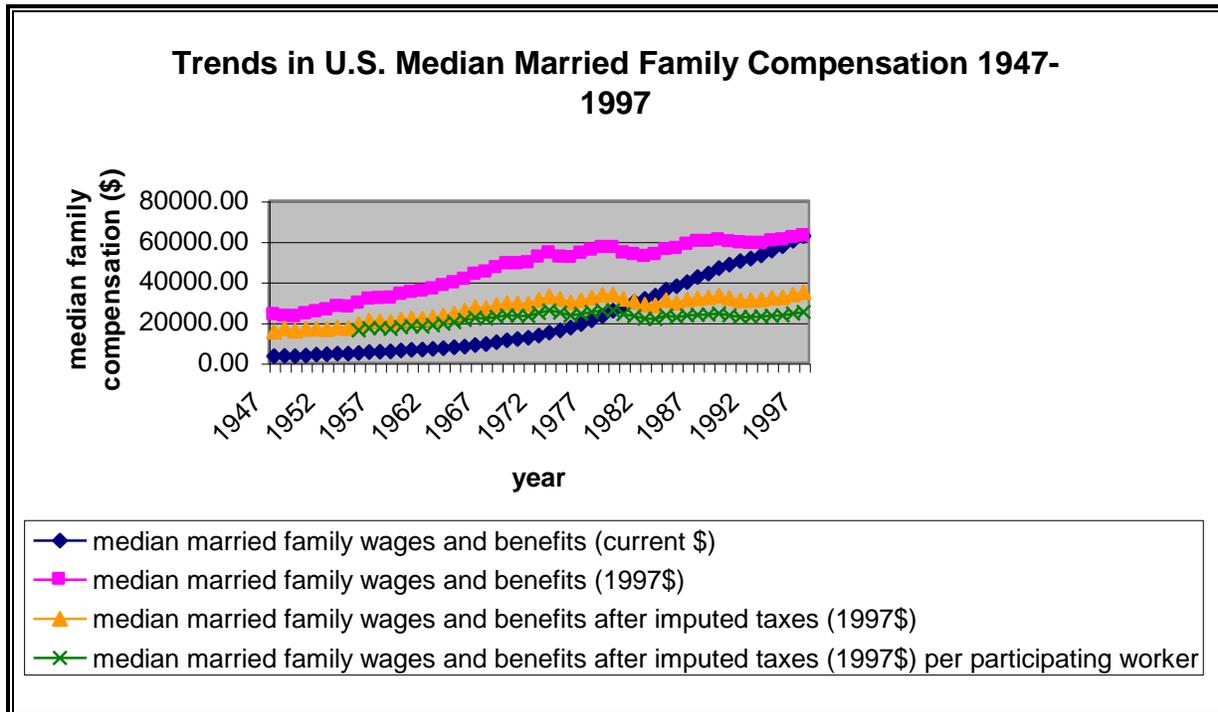
The trend of average individual employment income comprised of wages, salaries and benefits in the USA since 1929 is shown in Chart I. This traces the Depression, the Post WWII boom and the Great Society to present. It will be seen that growth in real dollars slowed in the Seventies, as capital formation yielded to unproductive government income redistribution. Today, government in total spends 45 cents of every dollar of personal income; in effect each responsible married family supports another whole family. Using soaring government expenditures as a percentage of personal incomes as the true measure of the tax burden shows that individual compensation after tax in real dollars (a) declined after 1973; (b) bottomed out at a 16.7% reduced level in 1983; and (c) took the two dozen years to date to recover.

CHART I



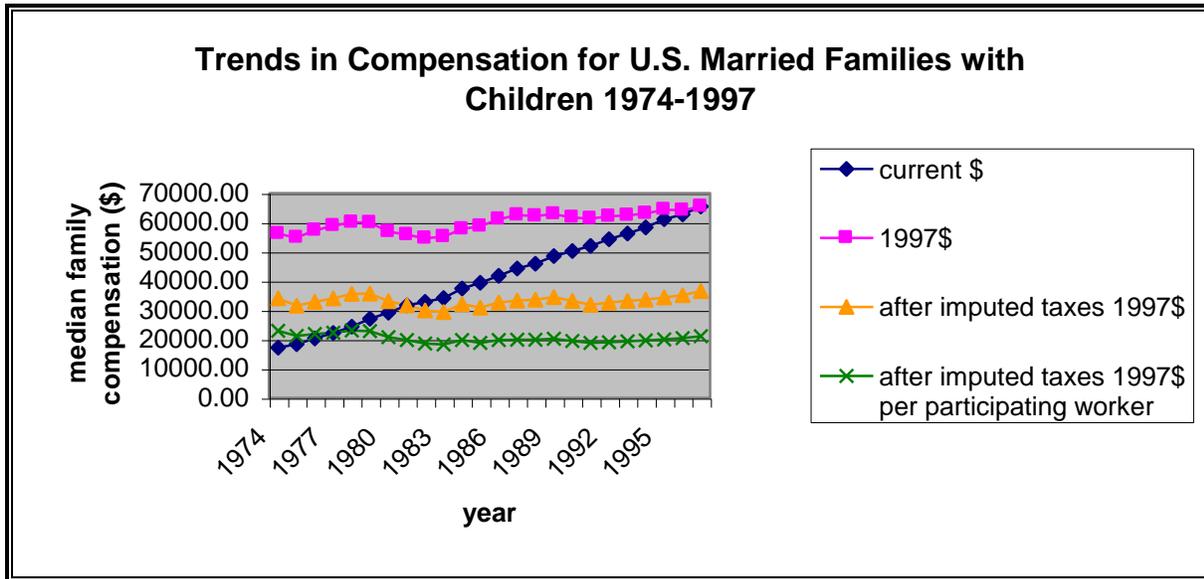
The comparable income statistics for median married family income shown on Chart II have only been available since 1947. Median income is shown in real dollars, constant 1997 dollars, and adjusted for imputed taxes measured likewise by government expenditures as percent of personal income. This chart shows a comparable decline of real after tax family income per worker to that of individual income.

CHART II



However, Chart III shows that when real median income for families with children after tax is adjusted for the increased workforce participation of married women, a far worse picture is painted. Thus measured, *income for families with children declined more than 20% from 1973 to 1983, and has not fully recovered from this depressed level since. This decline (which exceeds the definition of an economic depression) has persisted more than two dozen years.* Given that marriage and child rearing were almost synonymous historically, the depression of the income of families with children should be the primary focus of our family income analysis.

CHART III



The depression in family income has many causes, all traceable in whole or in part to government. It certainly *cannot* be blamed upon families themselves, since they are working *more paid hours than ever before in recorded history.*

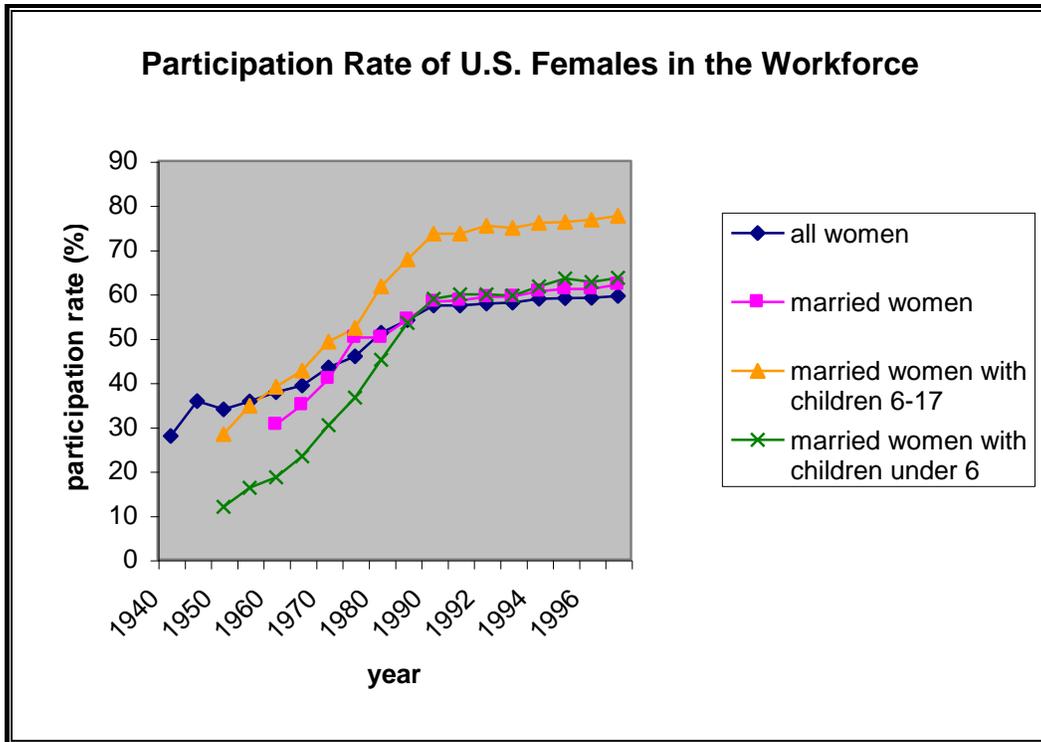
The confiscation of family income through direct and indirect taxation to provide *social welfare redistribution to profligate lifestyles* is the foremost cause. Make no mistake who pays these taxes. Whether levied directly, or as progressive and redundant taxation of corporate and individual incomes and capital, it is passed through the goods and services families buy and paid for by families as a result.

A major contribution of government to the decline of family incomes has been the effect on family household incomes as government taxation and deficits financed unproductive welfare at the expense of domestic capital formation. This reduced the productive capital per worker, and consequently reduced growth in incomes.

Additional failures of government seriously hurt family incomes, particularly those of the primary breadwinner, by shipping jobs abroad. Government run schools that no longer are capable of teaching math and science; government sponsored labor union monopolies; and the capital formation deficit referred to above all have combined to export jobs and “hollow out” the middle incomes upon which families depend – *particularly* traditional single income families rearing children with mother at home.

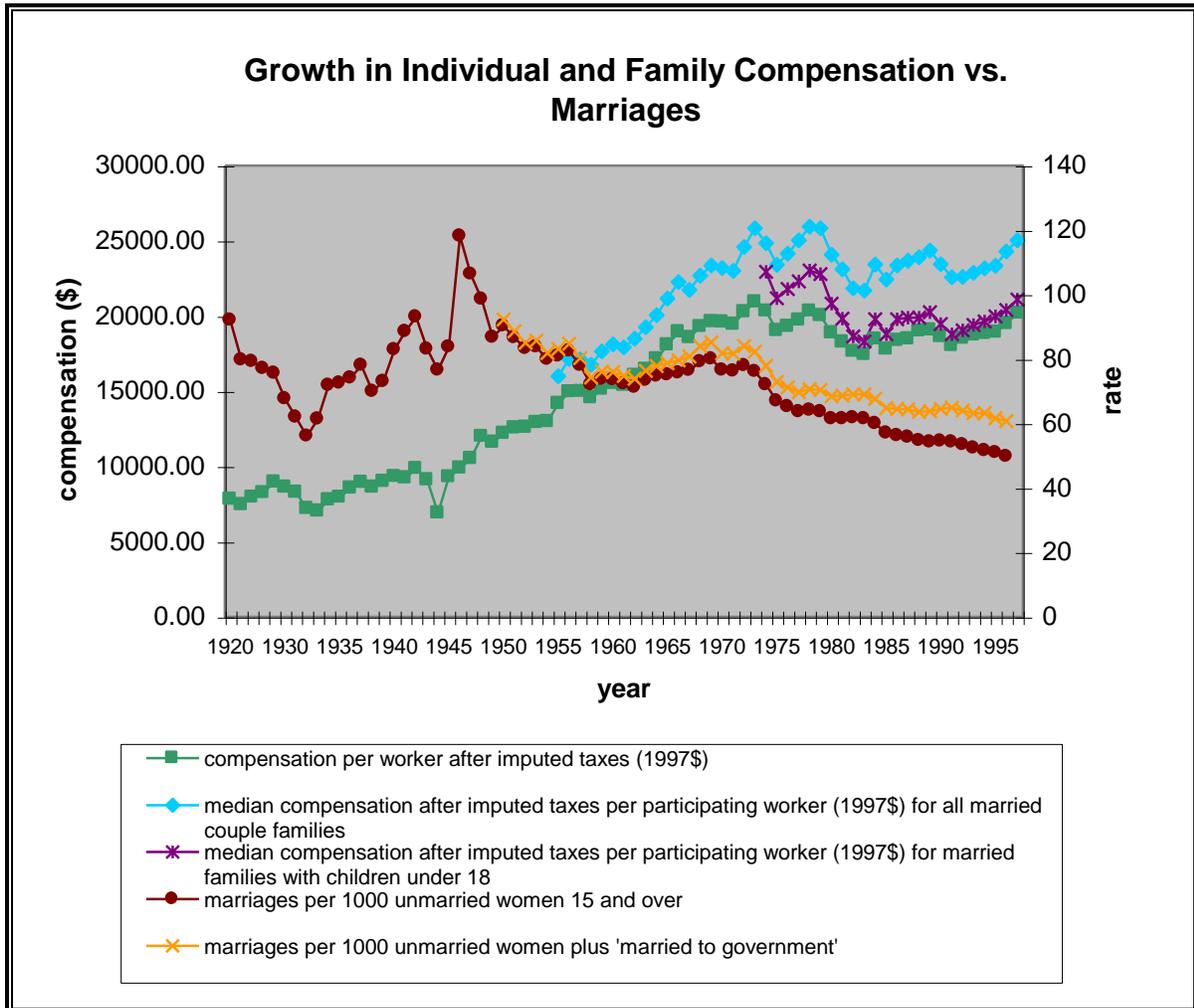
Chart IV shows the participation rates for women in the workforce. *The duress of family incomes is witnessed by the fact that all categories of married women – with or without children, even with children under six years of age – have a higher participation in the workforce than unmarried women in general.*

CHART IV



The effect of the depression of married family income since 1973 – particularly, income per participating worker -- is shown clearly on the following charts. Chart V shows the trends of real individual and married family incomes per worker after imputed taxes compared to the marriage rate, measured as new marriages per 1,000 unmarried women in total. It will be seen that changes in marriage rates have closely mirrored changes in family income until the Nineties, where the continuing depression of marriage rate *appears* to be a discontinuity.

CHART V



This discontinuity can be explained by both demographic factors and government influences. Women age 20 – 34, the primary first marriage years, have *dropped* 8.1% in real numbers from 1991 to 1997 while women age 15 – 44 have *increased* 1.0%. Correction for this demographic shift would tend to flatten the *apparent* continuing decline. Adjustment of the marriage rates for women “married to government” as measured by the unwed birth rate also accounts for much of the anomaly of the continuing decline of the 1990’s. The live-ins subsidized by the marriage tax penalty created by removal of income splitting for married couples in 1965, reinforced by the “married child bearing penalty” introduced by the head of household tax schedule, deduction and earned income tax credit, probably accounts for the balance of the apparent discrepancy between declining marriage rates and recovering family incomes.

Nonetheless, it is disconcerting that whereas family incomes have shown a recent upturn, *real* marriage rates have at best stabilized at depressed levels. Will marriage rebound? Or has marriage responded to two decades of economic duress with a permanent cultural adjustment? Most likely, when government stops *penalizing* married families while *subsidizing* their alternatives, and restrains its appetites to allow *real after tax income growth*, marriage will return to its primacy as the preferred American household.

Chart VI provides comparison of the divorce rate as a percent of married couples to changes in individual and family income. Here again, the trends of income and divorce tend to follow one another, though not as closely as marriages. Divorces decline as post WWII income rises, rise as incomes fall in the early '70s, and decline slightly as incomes rise slightly since. No-fault divorce causes a cultural increase in divorce during the Sixties, and WWII an additional discontinuity. While divorce still appears responsive to income, the cultural propensity to increased divorce appears permanent, or at least until no-fault divorce is remedied.

CHART VI

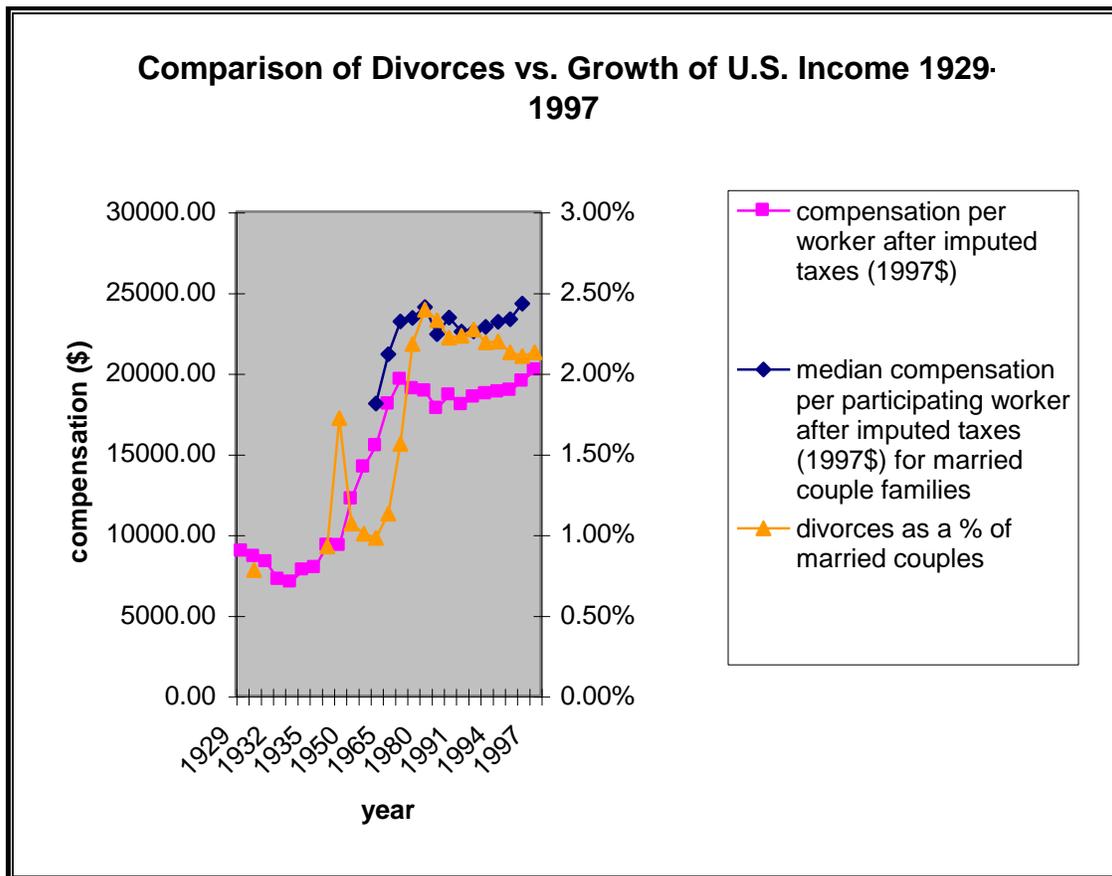
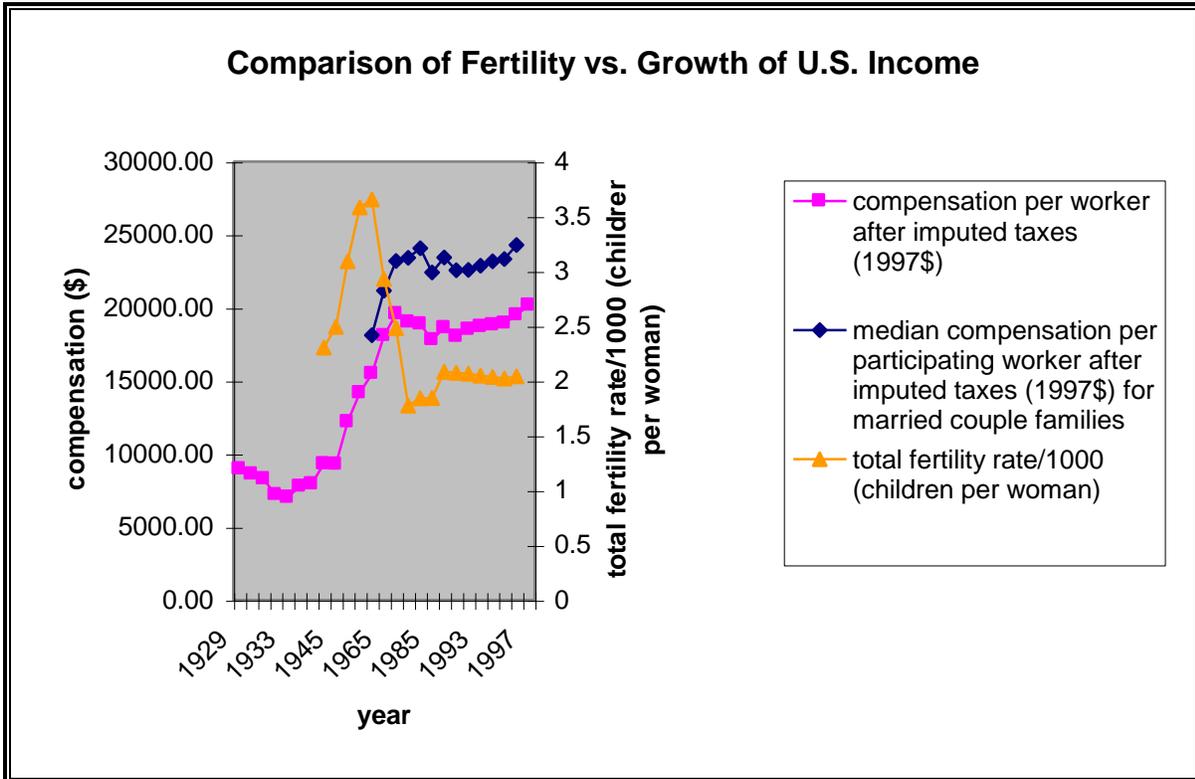


Chart VII presents the fertility rate since 1940 for all women of childbearing age compared to individual and family income. It has been generally observed in both developing and developed countries that the birth rate undergoes secular decline with rising incomes, and as the graph shows, this has been true in the United States.

CHART VII



However, the surge of births during the rapid income growth of the Post WWII period to 1960, and the rebound during the Nineties from the income decline since 1970 suggest that given family prosperity, U.S. fertility rates will find a floor at zero population growth; even white female fertility rates have returned to this level.

Taken in composite, the comparison of both individual and married family income trends with the demographics of the American family shows a close correlation. *Family* income is clearly shown to be a major and perhaps the *primary* determinant of marriage rates, and a significant cause of divorce and fertility rates in light of historical evidence to present. Yet government fiscal policies are seen to be virulently *antifamily* and are the primary cause of the distress levels of family demographics.

This being the case, the following conclusions can be drawn from this analysis:

First, government must provide substantial family tax relief to restore real family incomes. Excessive government spending and taxation, in large measure to generously subsidize irresponsible lifestyles, and the aged, regardless of means, is the single most important reason for the depression of family incomes since 1973.

Second, education must be reformed to provide Americans with high paying skills and knowledge. The failure of the government education cartel to properly educate American children has exported high paying technical manufacturing jobs and required importation of technical skills, with attendant loss of

the high paying jobs that support family formation. The excessive compensation demands of unions have also contributed to this job loss in high paying industrial sectors.

Third, the antifamily elements of the income tax code must be remedied. The U.S. income tax code imposes a “marriage tax penalty” by not allowing income splitting. An even greater “married child rearing penalty” for median and lower incomes is imposed by the “head of household” tax schedule, deductions and earned income tax credit advantages for unmarried mothers. Both these inequitable penalties on families and subsidies of inferior lifestyles should be eliminated. Dependent exemptions should be as large as the individual exemption, and unmarried families should have no tax preferences whatever not equally enjoyed by married families.

Fourth, the inequitable and inefficient income tax code itself should be replaced with a flat consumption tax. The U. S. income tax code has severely reduced domestic capital formation, caused capital flight abroad, and provides unfair advantage to foreign imports. Complete replacement of the income, capital gains and inheritance taxes with a flat consumption tax with generous exemptions for family necessities would be the remedy which would best promote growth of family incomes.

Fifth, social security and Medicare should be privatized to a personal savings and investment account for each family, rather than a welfare program for the aged at the expense of young families’ well being. All FICA and Medicare tax should be combined into one visible tax deductible rate, with corresponding increase of incomes, and privatized individual family accounts. Social security reform should also recognize that most families often cannot afford child rearing and high rates of saving simultaneously. Families should be allowed to borrow from their individual retirement accounts to buy a house, educate their children or for major medical expense. For intergenerational equity, social security benefits should be fully taxable when received, like any other income.

Sixth, government gratuities for families are not desirable or a substitute for real fiscal reforms. Federal subsidies, tax credits and other shams that take money from one family pocket and return a discounted gratuity to the other should be avoided as prescriptions for family ills. *The government relief required for a family friendly society is a major curtailment of government itself and its gratuitous support of alternative lifestyles, plus conduct of government fiscal affairs in a manner conducive to healthy growth of capital, the economy, productivity and after tax family incomes.* To protect the family from the excesses of government, social conservatives must be economic conservatives.

The above proposals are the necessary conditions for restoring real after tax family incomes which will create the conducive circumstances for revival of marriage, and child bearing within marriage. Instead of reinventing culture to cope with socialist beggaring of the family, a culture of the natural family will re-emerge naturally, as the result we so earnestly desire. Thank you; and may God Bless our Families.