Beyond Our Means: Why America Spends While the World Saves. Sheldon Garon, Princeton University Press, 2012, ISBN 978-0-691-13599-1, 448 pages.
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'Beyond our means' is a social history of short term savings over the last two centuries. It provides coverage of savings and its relationship with financial security and its insight into: the process of financial education, and the role of different financial paradigms in different social and economic contexts.

As an American historian specialising in Japan particularly, the author is well placed to explore international savings movements and the history of savings. He traces an enthusiasm for savings back to the late middle ages, and the first savings banks for the poor to the late eighteenth century in Europe. Motivation came initially from the politically conservative, with the poor being variously urged to work hard, reduce spending on luxuries (especially alcohol) and save for a rainy day. Support later appears to have come from political liberals, who 'conceived of saving as an act of citizenship that would integrate the humbler classes in to the national community' (p. 44), and at times proved a source of finance for government.

What comes through the book is the passion of the proponents of saving. Benjamin Franklin wrote books, pamphlets and made presentations both sides of the Atlantic. Britain had its popular authors in Samuel Smiles and Japan in Ninomiya Sontoku. The twentieth century saw local movements combining in the International Thrift Institute with International Thrift Congresses. The Thrift Institute is now the more prosaic World Savings Bank Institute, which represents 7,000 institutions in 92 countries. But during the Second World War particularly, there were active local savings movements – U.K. based 'Savings Commandos' and the Japanese slogan 'luxury is the enemy' giving a flavour of their sometimes intrusive activities. The saving culture was taken into schools, where children were encouraged to stick postage stamps on a card until they had saved enough to make the minimum deposit.

The movements were often led by women, and encouraged not just thrift but careful household budgeting – selling millions of account books to do so. Not surprisingly, they were linked with temperance groups: savings meant greater abstinence – and is an antidote to the toxic mixture of testosterone and alcohol associated with much violence, crime and financial distress.

Garon makes the case that the savings movement never gained much traction in the U.S., largely because of the power of the banking sector. In the late nineteenth century, the lobbying of local banks delayed and apparently eviscerated the introduction of postal savings, which proved particularly successful elsewhere in the world. He also describes how American economic thought since the middle of the last century has tended to see consumption as the main driver of economic growth, and savings as an enemy of consumption. There is the delightful story of a 1958 press conference with President Eisenhower:

Q: Mr President, I would like to ask you a question about what people should do to make the recession recede.
THE PRESIDENT: Buy.
Q: Buy what?
THE PRESIDENT: Anything.

He records how in the U.S. more than anywhere else (except perhaps the U.K.), saving has been replaced by consumer credit as a means for purchasing larger household items, and how in turn consumer credit has been replaced by credit cards and home equity loans. In the process, bank charges and profit margins have increased, and (it seems) many families have become more vulnerable to financial distress. His final chapter recommends federal action to make savings more accessible and more remunerative, and to provide education as to its benefits. He suggests that these actions would be equivalent to the way tax incentives, for retirement, are aimed at higher income people.

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While the history is interesting, I was often made uncomfortable by the author's certainties. In the first place, I did not find the case for the benefits of short term saving in an institution – when compared with under the mattress on one hand, and credit cards on the other – as self-evident. There is no evidence recorded in the book that those who have access to savings banks are better able to deal with life crises. I have no evidence to the contrary, but imagine that many financial crises require insurance to cover larger losses than can be provided for by small savings accounts. At most savings shift a few months expenditure backwards or forwards but must yield insignificant interest returns. They are trivial in comparison with the years of income required for a home mortgage or retirement savings – or with loss of a parent at a young age, or of a home. While consumer credit can be shamefully exploitative in terms of excessive charges and high pressured sales to the gullible, it does not seem obvious to me that the remedy is more savings. Perhaps people should be encouraged to shop around more, and market conduct regulation should be more assertive. I am certainly not persuaded by suggestions that higher levels of U.S. consumption over more than a century have been unsustainably fuelled by credit.

Another cause of discomfort (by no means limited to this book) is the breathless use of aggregate debt numbers to imply profligacy, recklessness and economic disaster. My understanding (although I come to doubt myself from time to time given the strength of the alarmism) is that every debt has a saving counterpart, and so advocates of saving must necessarily be advocates of someone else borrowing.

There are people (and governments) that borrow too much and then default – with disruptive financial impact for themselves and those who lend to them. They could do with help in the form of suitable financial instruments and appropriate education, both as to the costs of excessive debt and the benefits of moderation. But I also know people who appear to save more than they reasonably need, and who seem to be driven to do so by the moralistic 'promotion of savings' that the author appears to approve. Does one not also have to ask whether the preaching lays a burden on some of the latter, while creating a perverse reaction in some of the former?

I am also a little uncertain of the impact of central governments extracting savings from local economies. Perhaps the U.S. local banks did their communities a service in resisting centralised post office savings – even if they did default from time to time.

Finally, I am struck by the similarity between urging the need for short term savings and that used in Australia to increase compulsory long term savings in the form or superannuation. Might one suspect that the more enthusiastic the exponents, the weaker would be the argument?

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Financing Long Term Care in Europe. Joan Costa-Font and Christophe Courbage, eds. Palgrave McMillan, 2012, ISBN 978-0-230-24946-2, 341 pages.
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Long term care (LTC) expenditure is expected to rise driven by an ageing population. The European Commission's projections suggest that public LTC expenditure as a proportion of GDP will more than double in most European countries by 2060. Governments are concerned about the rise in the need for LTC and the increases in public expenditure that might follow.

LTC refers to care needed by individuals with reduced physical or mental capacity who cannot perform basic activities such as bathing and dressing. It is provided by informal carers (spouse, child) and formal carers (care at home and institutions, i.e. residential and nursing homes). Elderly people are the main recipients of LTC, in particular the very old.

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