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The author of this article has spent her career in the world of finance. Here she examines the way women make economic decisions. The article centers on attitudes concerning women, money, and financial independence; the availability or lack of capital for women who want to start businesses; and a strategy for using their economic clout to forward the agenda of the economic empowerment of women.

A parable in the Bible tells of a woman who loses one of the ten silver pieces she owns. In order to find the lost coin, she lights the lamps and works feverishly into the night, sweeping and cleaning, searching in every corner until she discovers it.[1]

The coins women owned — and frequently displayed on their costumes and head-dresses — during biblical times represented their wealth as well as security against hard times brought about by divorce, widowhood, or debilitation of the family breadwinner. Women did not spend this wealth, nor could they invest it; they hoarded it against the fearful day when they might be forced to use it to survive. These coins, which they brought with them into marriage, were their only property, and they had little possibility of gaining more, since the commercial world was regulated and controlled by men. As a result of their economic disenfranchisement and concomitant socialization and mores, women were essentially powerless, both individually and as a force for change.

Nothing is new under the sun, and in regard to women and money, this is all too true. Women have made little progress in the past several thousand years in the way in which they deal with money. Like the woman in the Bible, women, by and large, still do not know how to deal with or handle money — how to get it, how to use it, how to put it to work, or the power they can wield with it.

Women, Money, and Independence

Externals can change quickly: the Berlin wall is flung open in one day; Poland elects a Solidarity member as chief of state after decades of communist suppression; school segregation, legal one day, is declared illegal by the Supreme Court the next; and women, who

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could not vote in July 1920, could, by virtue of the Nineteenth Amendment, do so after August 18 of the same year.

Internal reorientation in response to such changes takes longer to occur than do the objective manifestations. Analyzing, synthesizing, and internalizing change are necessary processes that extend far beyond the media outbursts accompanying upheavals in social and political policy. Thirty-five years after *Brown v. Board of Education* revolutionized the laws governing race relations in the United States, we are still trying to grapple — individually and as a society, subjectively and objectively — with the ramifications of the Court's decision. It will be years, probably generations, before the impact of the events in Eastern Europe is assimilated into those people's and our political, socioeconomic, and cultural lives.

Women, in gaining the right to vote, became free political creatures, yet they, and society as a whole, have even today not completely digested what that means. Women have not grasped the economic implications of enfranchisement, nor the intimate connection in our political/legal system among economics, politics, and the law. It is probably safe to say that the majority of women — in spite of external manifestations to the contrary — have not internalized the concept of personal, lifelong independence. In fact, one commentator who works in the field of gerontology and developed a poll to study women's financial acumen, observed that most younger and single working women "haven't gotten it together" because they are still operating under the Prince Charming syndrome, the belief that someone who can take care of everything will come along.[2]

This 1989 poll developed for *McCall's* magazine by Christopher Hayes of the Pre-Retirement Education Planning for Women project showed that 33 percent of the respondents did not have their own checking accounts; 44 percent had never personally made investments in stocks, bonds, mutual funds, or real estate; 42 percent were unaware of their entitlements under their own or their spouse's Social Security and pensions; and 43 percent had not prepared a financial plan for retirement.[3] This study is in accord with the results of a survey of 23,000 readers conducted in 1988 by *Ms.* magazine.[4] A forty-three-year-old single women wrote:

> I tended to see marriage as a means of attaining financial and social security. In my late thirties, I began to explore ways of securing my financial future as a single woman. Now that I have, I feel much safer and more confident than ever before.

Another woman, thirty-six, expressed a similar sentiment:

> My knight in shining armor didn't come along, and I have fully prepared for my future without him. It's the joke that so many women my age share — we've become the men we wanted to marry.[5]

It seems clear that a woman who expects someone to come along and take care of her may think there is no need for her to take risks involving her money. But this is too simplistic an answer and only part of the picture. The reasons for women's lack of financial risk taking are more varied and complex. They involve, among other things, her socialization; her formal education; her experience; the way she is perceived by the business community and the community at large; her support systems; and her ability to break into the "old boy" network. Most people who are involved in women's studies would probably agree that females are socialized differently than males. This issue can raise the question

of nurture versus nature, but I do not want to try to determine the genesis of these differences; I will, instead, simply put forth my observations and those of others and leave it to readers to assign themselves to the category in which they belong.

Women are relatively new players in handling money. In the Western world, they have long reared children, tended the household, and held the family together while men went forth to hunt and fight off the enemies who threatened the security of the family. The characteristics that fostered a woman's caretaker role were the ones promoted: concern with harmony between people; self-sacrifice; suppression of individuality; noncompetitiveness; and passivity, among others. In this situation women were more people oriented and subjective, men more engrossed in external objective interests. Women, who were concerned with their individual family and its security, had little occasion to view a larger picture, and taking risks was antithetical to their interests.

These home-and-hearth characteristics of security consciousness and self-sacrifice are frequently translated into women's lives today. The *Ms.* magazine poll demonstrates this. When asked if they feared being homeless someday, 41 percent of women in the $15,000 to $24,000 annual income category responded in the affirmative, and a surprising 14 percent of those earning in excess of $75,000 expressed that fear as well.[6]

Respondents were also asked how comfortable they felt spending money on certain items, assuming they had the means. Fifty-one percent said they would have no problem buying gifts for others, 42 percent said they could easily spend to treat others to dinner, and 39 percent would have no difficulty giving to a cause. A mere 7 percent replied that they would have no trouble buying costly luxury items, and only 27 percent said they would feel comfortable paying someone to clean their house.[7] The message underlying these responses is implicit. Self-sacrifice is still an important personality trait that governs these women's feelings and actions.

Educational background and lack of experience are further factors inhibiting women's willingness to take the risks that might lead to financial independence. According to a survey conducted by the Investment Company Institute and reported in the *Christian Science Monitor*, 25 percent of the women polled said they lack the education to make the right decisions about investing, are afraid to lose money, and do not know whom to trust.[8]

This is not surprising in light of the fact that the overwhelming majority of female college students have had a liberal arts education and service-related occupational experience, while their male counterparts hold a vastly larger number of engineering and business degrees.[9] Majoring in such fields as "psychology, sociology, or education teaches strong 'people' skills, but a fundamental understanding of economics, finance, or marketing is often lacking."[10] Does this seeming preference for liberal arts indicate a choice by women that is free from influence — an innate interest in these fields — or is their "choice" a result of being socialized in a male hierarchical culture that still espouses certain acceptable occupations for women? Most guidance counselors still advise women to enter liberal arts and discourage them from going into male-dominated fields.[11] While these may be positive career choices for women, they may also serve further to distance women from the worlds of money and finance.

It is no wonder then that women hesitate to take business risks; many have not experienced economic independence and are unaccustomed to taking financial risk; they are uncomfortable in an arena for which they have not been socialized and lack the educational background that would give them entrée to the business world, where they could gain experience in finance and handling money.

Even when women do enter business, they usually choose a service-related field; over 90 percent of the businesses begun by women are service related.[12] Once again, this is not surprising considering the socioeducational background of most women. Yet service-related industries provide the smallest return on investment. For example, women-owned businesses in the six New England states account for 23 percent of all businesses,[13] but only 10 percent of all sales.[14] And of the close to 4 million women-owned businesses in the United States,[15] more than half had total annual sales of less than $5,000.[16] There are several reasons for these statistics. One is the type of business; another may be that women do not expect their businesses to grow because they do not see themselves in powerful, significant roles; women still are compelled to fulfill multiple roles that include the bulk of child rearing and housekeeping and are thus fragmented in their allegiances; and women have great difficulty obtaining financing. Whatever the reasons, a business returning only $5,000 per year cannot be considered a major risk or one that empowers women.

Historical baggage, negative socialization that breeds diminished self-confidence, and lack of experience and education are compounded by lack of support and mentoring. (See Elizabeth Cook's article in this volume.) While men usually employ outside advisers such as lawyers and accountants to be their most important supporters, women consider their spouses to be their most important advisers, close friends next most important, and business associates third.[17] Enthusiastic support and encouragement from these sources is vital for a woman who is going to take a financial risk by starting or investing in a business, for women have not been taught to believe in themselves and their own ideas.[18] But in these times of necessary dual incomes, how many husbands will actively encourage their wives to give up a $25,000 a year job with its benefits in favor of a $5,000 a year shaky venture? Few, if any. Yet without the full-blown support of those around her, it is hard for a woman to shore up her self-esteem when she launches a business. For a single woman the risk is even greater. Not only does she not have the protection of a spousal income, but single women earn less than single men — $10,618 to men's $19,878 median income[19] — and simply do not have as much in savings to invest or use as a cushion during a new business start-up. Support of those important to her is even more important in light of women's difficulty in obtaining financing, the implicit message being that financial institutions do not have faith in women's ability to sustain a profitable business.

Access to Capital

Women entrepreneurs still face discrimination. Most women typically start their businesses with money borrowed from friends and family, because businesswomen are still treated as second-class citizens by the financial community.[20] While it is true that financing is a problem for every entrepreneur, the problem is often more acute for women for several reasons.

First, many women lack a financial track record in business, which results in problems in dealing with lending institutions. When considering a loan, commercial banks or venture capitalists are interested in an entrepreneur's financial history. A woman is more likely to lack experience in executive management; she has probably had limited financial responsibilities; and she most often proposes a nonproprietary product. Under these circumstances she does not have a solid argument to persuade a loan officer to lend start-up capital. She must frequently have her husband cosign a note, seek a co-owner, or use personal assets or savings.

Another reason women encounter difficulties in the area of finance is their lack of skill and experience in financial planning, accounting, marketing, and operations. As noted, most women entrepreneurs' backgrounds did not give them the opportunity to develop confidence in business management and in negotiating financial matters, which increases the risk in the eyes of the lender. Third, the "glass ceiling" exerts an effect on women's ability to raise capital. Middle- and upper-level management positions in corporations are good training grounds for self-employment; although women have made progress attaining these positions, they have not climbed the corporate ladder as far as their male counterparts have. The result is that even women with corporate management experience have not had the same opportunity as men to learn negotiating skills and to make important financial decisions, nor have they made as many important business associations as men have. (See Dell Mitchell's article on the importance of business networking in this volume.)

Finally, the service-oriented industries to which women gravitate usually have no tangible assets, and institutions are uncomfortable lending money when there is little or no equipment or product to serve as collateral. Furthermore, traditional "female" businesses simply are not taken as seriously as "male" businesses such as manufacturing, construction, and the like.

As hard as it is for women to get start-up or seed money for a business, the difficulty of financing is evident at other, higher levels of business as well. One need only read the newspaper accounts of the leveraged buyouts and takeovers that occurred in the 1980s. No women are involved in these transactions. This is sometimes due to women not wanting to take the risk and sometimes to there being no women senior enough to participate, but more often it is due to women's lack of access to capital. Two examples of this phenomenon are the recent takeovers of the Allied and Federated department stores. Many executives came forward to buy out their divisions — Brooks Brothers, Ralph's, and others — but not one woman was among them.

Of course there are exceptions. It was a woman who orchestrated the leveraged buyout of Warnaco, but she was unusual. Without the ready support of the main-line banking or investment firms willing to take the risks with them, few women can or are willing to take the risks alone. And further compounding the problem is the noticeable paucity of female investment bankers on Wall Street.

Strategies for Change

Society's expectations for women must be raised, and women must be made aware of them early in life, starting in school. Women must receive better career guidance and advice, perhaps with a healthy component of financial education, in a friendly setting, as Margaret McKenna recommends in her article in this volume. And since successful entrepreneurs must be risk takers, women must be helped to overcome their fear of risk. This might be done by establishing a venture capital seed fund for women who want to start their own businesses, with strategies to encourage women to use it. In addition, funds could be made available for women who are already in senior corporate positions and want to buy their own company. Given the increases in women-run businesses and the numbers of women in the workplace, there is a good opportunity for financial institutions seeking new business opportunities to target this female audience.

Two other practical strategies that are even more important and immediately applicable

to all women are to disinvest from and start boycotting companies that do not treat women well. As Dawn-Marie Driscoll notes, change in the economic world will happen only with concerted action. Women today control the spending of about half a trillion dollars a year and bring home paychecks totaling an estimated $390 billion annually.[21] By the end of the decade, these figures will rise substantially as more women than men enter the work force. One woman earning $20,000 a year is not a loud voice to which the business community need listen, but 51 percent of the population speaking as one is a shout they dare not ignore. Certainly one negative story on the business pages of a daily newspaper is critical for any corporation. Women must stop supporting companies that do not support women. If each woman would commit to avoid using the products or services of companies that do not have women in senior positions or on their boards of directors, or in some other way evidence discrimination, women may be able to exert substantial group clout, or at least cause negative publicity.

As an example, some women, particularly those with economic clout, go to Disney World with their families; they take their children to see Disney movies at General Cinema theaters, where they buy candy and popcorn; and they shop at Neiman-Marcus. Only two women sit on Neiman-Marcus's board of directors; only one on Disney's. Another flagrant example of a company that owes its success to women yet refuses to place women in senior positions is the Fur Vault, which is traded on the American Stock Exchange. This company's success has been fueled almost exclusively by the patronage of working women who finally attained enough disposable income to buy their own fur coats. Even its advertising is geared to economically independent women. Not one woman is on the board of directors of the Fur Vault. The same is true at the Raytheon Corporation, the inventor of the microwave oven, an appliance bought and used by an overwhelming number of working women who have little time to cook.

The laundry list, sadly, is a long one. Many products of which women are the primary purchasers and consumers are manufactured by companies that are subsidiaries of other companies, so the true culprits often get "lost in the shuffle." But the economic strategy for women is similar to the principles of ethical investing, whether the issue is nuclear weapon production, environmental responsibility, or animal rights: reward the good companies and punish the bad. Identifying those which are open to female participation is not necessarily easy. One idea to mitigate this problem might be for an interested national organization to send to other women's groups a newsletter listing the guilty companies and the products or services they provide. Or a group could simply call a press conference at which it announces a "ten worst companies" list and names its choices for the best ones in a given year.

Another strategy is to convince women not to buy stocks in these companies in much the same manner as the civil rights movement has urged corporations and state governments to avoid doing business with companies invested in South Africa. Not only women as individuals, but academic institutions, pension funds, and state and local governments should be encouraged to examine their portfolios to make sure that they do not own stock in companies that do not include women on their boards of directors, to disinvest from those companies if they do have such stock, and to state clearly why they are withdrawing.

The disinvestment in South Africa has had an effect on the awareness of investors, trustees, directors, shareholders, the press, and public policymakers. Harnessing individual women's economic power could have similar powerful results. To a great extent, women will attain economic empowerment when they exercise economic power. It is time to start.

Notes

1. *The New English Bible*, Luke 15: 8 (Cambridge: Cambridge University Press and Oxford University Press, 1970).
2. Mimi Whitefield, "'Old Prince Charming Syndrome' Still Setting Women Up for Poverty," *Miami Herald*, October 9, 1989, 35.
3. Ibid.
4. "Smart Money," *Ms.*, complied by Carin Rubenstein, reported by the editors, November 1989, 53.
5. Ibid., 56.
6. Ibid., 54.
7. Ibid., 56.
8. Marilyn Hoffman, "Investing: Women Learn How to Manage and Protect Their Money," *Christian Science Monitor*, June 17, 1989, 19.
9. Mary Sit, "The Woman Entrepreneur: Why It's Still Tougher on Her," *Boston Sunday Globe*, April 3, 1988, B78.
10. Robert D. Hisrich and Candida G. Brush, *The Woman Entrepreneur* (Lexington, Mass.: Lexington Books, D. C. Heath, 1989), 23.
11. Ibid., 13.
12. Ibid., 12.
13. Ibid., 10–11.
14. Sit, "The Woman Entrepreneur," B78.
15. "America's Top 60 Women Business Owners," *Savvy*, November 1987, 52.
16. Sit, "The Woman Entrepreneur," B77.
17. Hisrich and Brush, *The Woman Entrepreneur*, 16.
18. Sit, "The Woman Entrepreneur," B78.
19. "Smart Money," 53.
20. Hisrich and Brush, *The Woman Entrepreneur*, 17.
21. Hoffman, "Investing," 20.

Financial power is political power. Financial power is the only power.

— Frances Lear