

The Demography of Well-Being

Birth and Fortune. The Impact of Numbers on Personal Welfare. RICHARD A. EASTERLIN. Basic Books, New York, 1980. xii, 206 pp. \$11.95.

Birth and Fortune is a provocative book written by one of the leading scholars of the relationships between economic and demographic forces. Easterlin's principal tenets are that one's lifetime well-being "may be crucially affected by" the relative size of one's birth cohort (the number of people born in the same year) and that the relative income of young adults significantly influences their decisions concerning marriage and fertility. The book is written in a non-technical style, as Easterlin hopes to explain his theory to a general audience of readers interested in recent population trends.

Easterlin's model of the U.S. labor market leads him to predict lugubrious and relatively poor lives for the baby boom cohorts of the 1950's and early 1960's and disproportionately good lives for members of small generations. His argument is that high birth rates in one period are reflected in a relatively large number of labor force entrants 20 years later. The increased supply of young, inexperienced job seekers lowers their relative incomes and increases their unemployment rates. As a result, they get a slower start in the labor force and suffer throughout their lives from the competition of a large number of peers, which depresses wages and slows rates of promotion.

The decline in relative income of members of large generations, Easterlin believes, is an important factor influencing young adults to delay marriage and postpone having children. Young women allocate an increasing proportion of their time to the labor market to help maintain family income. This response results in a low birth rate among members of a large generation. Thus "Low fertility in one twenty-year period led to high fertility in the next" (p. ix) and "two decades of relatively good times are followed by two decades of relatively poor times, and so on" (p. 5). Easterlin's theory is one of self-perpetuating economic and demo-

graphic cycles where the population variables are the driving force.

Generation size is held by Easterlin to be a significant determinant of a variety of social problems. He argues that a larger generation will suffer from a higher rate of divorce, greater incidence of illegitimate births, increased frequency of mental stress, higher crime and suicide rates, and increased political alienation. In addition, the entry of a larger cohort of youths into the labor market is said to contribute to "stagflation" in the economy at large, which he treats in a separate chapter.

Economists reading *Birth and Fortune* will quickly notice that Easterlin's model is not based on standard economic principles, and for the most part he ignores an expanding literature on the micro-economics of fertility. He employs a relative income concept that attempts to measure the income of young adults relative to their parents' income 20 years earlier. Beyond stating that lifetime expectations are formed in childhood, he does not indicate why this concept should be preferred to absolute real income (a widely used economic measure) as an indicator of personal wealth. In addition, there is virtually no consideration of price responses. For example, all types of workers are considered as if they are separate and unique inputs. Easterlin argues that there is little if any substitution between young and old male workers, between men and women, or between immigrant and native workers.

Another price effect to which Easterlin gives little attention is the value of time and the ensuing time allocation response. The increased supply of young workers from a large generation can be expected to lower their wages relative to those of a small generation. Easterlin argues that lower wages lead to increased work effort and delayed family formation. These responses follow from an income effect. Yet there is also a substitution effect. The price of the wife's time is an important factor in the cost of child rearing. As her market wage falls, the cost of child care decreases, an effect that favors having more children. Also, in response to the lower price of time

people will tend to work less and perhaps to devote more time to other activities, including increased investment in human capital. In summary, the income effect would be moderated or perhaps completely offset through substitution effects not considered by Easterlin.

Easterlin argues that the low fertility rates of the past decade, with the attendant expectation of high lifetime earnings, have created the potential "for a drastic reversal—for example, for a baby boom in the 1990s comparable to that of the 1950s" (p. 135). For this to occur the fertility rate would have to double, rising from approximately 1.8 births per woman in the late 1970's to the 3.7 that characterized the late 1950's. Easterlin does not evaluate the effect of economic fluctuations on fertility or compare this effect to his generation size effect.

To support his hypothesis, Easterlin does not discuss new empirical research based on statistical and econometric tools now standard in economic analysis but instead reports a farrago of observations at two dates and trends between these dates. Such analysis can be highly misleading to anyone seeking to find the independent effect of a single factor. While Easterlin argues that his theory fits the experience of the last four decades, the evidence he presents is not sufficient to support an assessment of the magnitude of the generation-size effect on fertility.

There are, of course, a number of competing hypotheses purporting to explain recent fertility trends. Easterlin considers these theories, which postulate such factors as birth-control technology, rising career orientation of women, or increasing female wages, only briefly. This is particularly unfortunate in light of his call in the last chapter for further and more sophisticated research. According to Easterlin available studies are not examined because of an exigency of space.

Birth and Fortune is an interesting addition to the literature examining economic and demographic relationships. It predicts an impending baby boom in contrast to most projections of the continuation of relatively low fertility. The theory developed in the text should be considered along with competing hypotheses to help explain the past and predict the future. However, the non-professional reader should be cautioned against accepting the arguments as proven.

ROBERT L. CLARK

Department of Economics and Business,
North Carolina State University,
Raleigh 27650