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Review

Reviewed Work(s): *Wealth and Poverty* by George Gilder

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The study is most useful in identifying patterns of individual and family response to economic adversity. Implicitly Caplovitz's research makes a case for a much more carefully designed longitudinal inquiry that develops a more concrete and detailed picture of the responses of American families to continuing economic challenges.

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RICHARD A. EASTERLIN. *Birth and Fortune: The Impact of Numbers on Personal Welfare*. Pp. xii, 205. New York: Basic Books, 1980. \$11.95.

Easterlin's thesis is that, largely because of federal policy, "in the post World War II economy the success of a generation's members may be crucially affected by how numerous they are." Generation is a group of persons born in a particular year—using birth rate, not absolute numbers.

The implication of the thesis is significant: "that the general deterioration in the American economy and society . . . will abate over the next two decades as the presence of numbers diminishes." But the improvement will not last: "The U.S. economy may be embarked on a self-generating cycle of around forty years." The explanation, the opposite of standard demographic "age structure" explanations, is that the baby boom children have small families because of difficult economics (economic expectations relative to one's parents), and the baby bust children have larger families because of better economics—less competition, less unemployment, faster advancement, and so on.

Easterlin suggests some points worthy of serious consideration: the adverse psychological impact of generation size "possibly fostered a state of mind more responsive" to the alienation of Vietnam and Watergate; this "Vietnam generation" will continue to be a prime target for alienation despite "superficial conformity"; and personal and social problems may result more

from the generational size cycle than from larger societal changes. His specific attention to women's work is welcome (generation size has an even greater impact on women), but some specific conclusions are surprising. Easterlin analyzes explanations opposed to his; he notes that his methodology might be criticized as too simple but that he covers a large number of subjects and documents substantial historical differences; and he notes that his projections are based on only one cycle that goes back to 1940, but argues that this is better than extrapolations from only a half-cycle—that is, since 1960.

Easterlin's thesis is straightforward and consistent with theories (relative income, anomie, relative deprivation, cognitive dissonance) in other disciplines, but it is a minority view and is likely to be provocative. His suggestion that government use policies which alter the composition as well as the level of labor demand is worthy of serious consideration.

The accumulation and analysis of data is creative, comprehensive, and impressive. The clear and effective writing style is an enjoyable bonus. *Birth and Fortune* is strongly recommended for both professional and nonprofessional readers, and for readers from diverse disciplinary interests.

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GEORGE GILDER. *Wealth and Poverty*. Pp. xii, 306. New York: Basic Books, 1981. \$16.95.

This book, receiving wide attention, is a melange of characteristics and topics. The writing is colorful, effective, exaggerated, full of extraordinary turns of phrase—and obviously polemical. It is *not* a conventional, scholarly volume. The argument too often is overdrawn, picking fights across a range of issues where it would seem they need not be picked. In many instances the analysis displays imaginative perception, but it also belabors the obvious, beating

some dead horses that both liberals and conservatives have grown tired of attacking—for example, command planning and the current welfare “mess.” Gilder attacks macroeconomics, static equilibrium theorizing, the “myths” of discrimination, big business as the source of innovation and dynamics in contemporary economy, “Keynesianism,” GNP accounting, and the welfare state in general and in particular.

Gilder, however, deals with more than the negative. He presents cogently the case for “supply-side” economics. He is an optimist looking to the future, espousing a dynamic view of resources and of human capabilities. Resources can expand under the onslaught of technology, science, and entrepreneurial drive. A nation’s wealth is not in its oil, land, gold, or even machines, but in a culture that energizes risk-taking, hard work, and innovative imagination. Both government and big business have their roles, to play, but the mainspring of future innovation resides in creative, uncertainty-bearing, small-firm entrepreneurs.

Liberal oxes are gored in exaggerated fashion, but Gilder’s analysis also is bound to displease conventional conservatives. Monetary explanations of inflation are regarded as incomplete and mechanistic. Government at all levels is seen as here to stay. When all is said and done, he accepts much of the mixed economy. It is a quibble about degree rather than kind. This is not to suggest that quibbles are unimportant. Incremental shifts and adjustments in institutions and policies within a free economy seeking justice are crucial matters for analysis and debate. Public-sector expansion of the last two decades, in Gilder’s view, needs to be absorbed and improved—as well as pruned. Federal deficits, though not something to brag about, are clearly the lesser of evils in many circumstances. Safety nets need to be lowered and revised rather than eliminated. He calls for child allowances across all incomes rather than AFDC payments, and urges a continuation of in-kind subsidies, though at more austere levels.

The book has a distinctive flavor with the argument that, at bottom, dynamic capitalism is an altruistic exercise in giving rather than exchange. The rationale for this unexpected idea is that enterprisers with new investments risk without guarantees and are presumably cognizant of the desires of others in society. The lack of quid pro quo associated with entrepreneurial profit-seeking suggests for Gilder that investment is more than exchange. He tries to build from the concept of reciprocity in Stone Age culture to the idea that investment in new products and processes is basically altruistic. At least this discussion will fuel a fair amount of debate! Interestingly, more economists are probing the role of altruism and trust in a market economy. Gilder’s book is part of that development.

His presentation ends with emphases on mystery and religious comment about faith, hope, and love. It is ironic that one who wears, in the eyes of many, the label of “new right” closes with poetry composed by that “liberal-minded” political thinker, Reinhold Niebuhr. Though this book is overblown and excessively argumentative in many places, it addresses crucial questions with perception and imagination. It is a worthy addition to ongoing debate about the nature of the American economy and where it goes in the future.

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BEN W. HEINEMAN, Jr., and CURTIS A. HESSLER. *Memorandum for the President: A Strategic Approach to Domestic Affairs in the 1980's*. Pp. xxv, 404. New York: Random House, 1981. \$17.95

Both of these young authors served as assistant secretaries in President Carter’s administration. Both were well educated as Rhodes Scholars and as law clerks of the U.S. Supreme Court. They have had valuable experience in the executive branch of our national government. They have written with great skill