
SOCIETY

The Generations and Welfare

“The New Age Structure of Poverty in America: Permanent or Transient?” by Richard A. Easterlin, in *Population and Development Review* (June 1987), The Population Council, 1 Dag Hammarskjöld Plaza, New York, N.Y. 10017.

In 1968, fully 25 percent of Americans over the age of 65 lived in poverty, but only 15 percent of children under 16 did so. In 1985, only 13 percent of the aged were poor, but 21 percent of children were in poverty.

Why are the elderly prospering and children not? Easterlin, an economist at the University of Southern California, finds “independent causes.” The aged have benefited from Social Security increases while children have suffered from the stringent labor market their parents face.

The inflation-adjusted incomes of young men have eroded. After 1979 the “real” wages paid to men aged 20-34 fell to a level 10-20 percent below that of the late 1960s. In families where the head of the household is 25-34, incomes have declined by 10 percent since 1973. The ensuing “economic pressures,” Easterlin argues, compel couples to delay marriage; they also increase the likelihood of divorce and separation. The result: more children who will be raised by a financially-pressed single mother.

Why does the current generation of young men earn less than their fathers? The answer is, in part, changing demographics. Because the number of young “baby boom” men looking for work has risen at the same time that the economy has remained stagnant, demand for these workers has slackened.

Barring a cataclysmic war or dramatic cuts in federal aid, Easterlin does not believe that the poverty rate for children will worsen. The number of young workers seeking jobs in the 1990s will fall; the new “baby bust” generation has many fewer members than their “baby boom” parents. As the work force ages, the number of highly productive older workers will increase and the number of less productive younger workers will drop, ensuring that productivity growth will rise. If current federal aid to the elderly remains constant, Easterlin contends, the shrinking pool of younger workers will cause the gap between the poverty rate of the old and the young to “diminish and, perhaps, disappear.”

Rx for Disaster

“The Health Effects of Mandatory Prescriptions” by Sam Peltzman, in *The Journal of Law and Economics* (Oct. 1987), Univ. of Chicago Press, P.O. Box 37005, Chicago, Ill. 60637.

Until 1938 most drugs (except for narcotics) could be obtained in the United States without a doctor’s order. But Food and Drug Administration regulations established at that time have led to a steady rise in government-mandated prescriptions. In 1939, 27.3 percent of all drugs sold were obtained with an Rx from a physician; by 1981, 72.7 percent of all drugs