CHAPTER 5

ON NET INTERGENERATIONAL WEALTH FLOWS: AN UPDATE

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Nearly 30 years ago in an essay, “Toward a restatement of demographic transition theory,” I advanced what has come to be known as “wealth flows theory.” Much relevant research has since been carried out, and accordingly an update of the original essay is necessary.

The essay attracted attention because of its rather bald statement that, before the onset of fertility decline in a society, uncontrolled fertility is an economically rational choice for a number of reasons, including the value of children’s work (minus their consumption) and their insurance value in times of danger, disaster, and parents’ old age. Subsequent research seems to have produced conflicting evidence on the value of children’s work and to have offered more theoretical argument than empirical findings with regard to insurance. I argue here, however, that the conflict in findings on children’s work is more apparent than real, and I point to a resolution of this issue. I also propose that a better understanding of the insurance issue leads to an explanation of the reversal of the wealth flow and the speed of subsequent fertility decline.

I first explain the context of the 1976 essay and correct some misconceptions about it that have appeared in the subsequent literature. I then demonstrate that contradictory findings over the past 30 years about children’s work and consumption can be reconciled and shown to be consistent with the wealth flows hypothesis.

MY FINDINGS ON WEALTH FLOWS

The scholarly emphasis in the 1970s was on the onset of fertility transition, on what kind of society was resistant to fertility control, and on the circumstances of change. During the first two decades after World War II the family planning movement had met with almost total failure in lowering fertility levels in the developing world, but by the mid-1970s, outside sub-Saharan Africa and southwest
Asia, fertility decline had become almost universal. Immediately before transition
most societies were predominantly agricultural, and somewhat loosely I grouped
all pretransitional societies together over space and time as “traditional” societies.
Some of the recent research discussed below has been on preagricultural (hunter-
gatherer) societies, and more has been on predominantly agricultural societies
beginning to experience change with the arrival of schools, shops, nonagricultural
employment, central government, and other features of a globalizing economy
and society. The societies that, as I came to know them, first shook my belief in
the universal burden of children were in the remote parts of Ghana and Nigeria.
There, no indigenous person understood what I meant when suggesting that the
largest families might be the worst off and might have been happier and richer had
childbearing been more restrained. Children had few needs other than food, for
there was no formal education and few clothes. After infancy, children, growing
up in small villages where everyone kept an eye on them, required only limited
care. Conflicts over inheritance and farm subdivision were unknown because land
ownership was communal. Such conditions were beginning to disappear from the
world, but they had predominated for most of the time since the Neolithic revolution
and had shaped most societies in the developing world. One could have argued that
matters would have been different had contraception been explained and offered,
but now that this is more widely done there is still little fertility decline in rural sub-
Saharan Africa except in Southern Africa and such highly commercialized areas
as Kenya’s Central Province. An intensive experimental family planning project
in northern Ghana reduced the total fertility rate (TFR) between 1994 and 1997
by only 0.5 births (Bawah et al. 1999; Binka et al. 1999).

My 1976 essay did not claim that children’s work alone paid for their
existence. Indeed, it sometimes seems from reactions to the essay that it may
have been confused with an article by Cain (1977) that did make such a claim
for a Bangladeshi village. The wealth flows essay argued that farming children
contributed a substantial and increasing amount of work as they grew. I also argued
that children performed work adults preferred not to, such as carrying messages,
collecting firewood, and herding the family’s animals. I included in wealth flows
the insurance potential provided by children’s existence, taking that potential to
be the equivalent of current payments for an insurance policy to be redeemed at a
future date. Ronald Lee (2000) treats wealth flows as meaning only children’s labor
and consumption, and discusses their insurance function as something apart. In
contrast to most subsequent researchers, I placed no upper age limit on children’s
work. This was because my research was carried out in rural West Africa where
men often do not access their own share of land until they marry, currently near
age 30 years (Lesthaeghe, Kaufman and Meekers 1989), and until a century ago
nearer age 40 years (Peel 1983). By the time a son had completed his duties as a
dependent, he had to begin helping his aged parents.

Most articles on the burden of children are influenced by the theories or
ideologies of their time. The first part of my 1976 essay recapitulates the dominant
ideology of the three decades following World War II, which argued that fertility