

H-Net Reviews

in the Humanities & Social Sciences

Dora L. Costa. *The Evolution of Retirement: An American Economic History, 1880-1990*. Chicago: University of Chicago Press, 1998. xiii + 234 pp. \$40.00 (cloth), ISBN 978-0-226-11608-2.

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As historians drift off into a postmodernist Land of Oz, social scientists have emerged as the only scholars treating a number of critical issues. The academy's tragedy-comedy has its good points, and Dora Costa's analysis of declining labor force participation among the elderly displays several of these. First, Costa restates an axiom that, however obvious on the face of it, needs reemphasis: free money from the state encourages able-bodied persons to exit the labor force. This reminder cautions us against giving too much credit to ageism and other cultural forces in the history of older persons. Attitudinal factors were all the rage, not only among the first historians of old age, but also among the reformers who eventually built the Social Security system. Whether such factors were decisive in causing change is another matter.

Second, Costa presents a strong case for pure income effects in reducing labor force participation during the twentieth century. Indeed, income effects can be observed in household and family arrangements as well, since pension income raised the probability that the elderly lived separately from their children. Third, she provides a very useful critique of other explanations, including a novel and insightful argument that health problems cannot be used to explain secular declines in labor force activity.

All this is built upon a marvelous and still emerging data set that links Civil War pension records to those in the United States Census and other sources. The data set permits Costa to carry out analyses that are much better specified than those heretofore used and represent an important advance in the quality of evidence available to scholars (as one presumes they soon will be). The rich body of evidence nonetheless also constitutes a problem. The central analytic difficulty in the book is that the bulk

of the analysis of a 110-year period (1880-1990) rests upon data drawn from a very peculiar pension system for a very particular set of men in 1900 and 1910. The evidence is doubly difficult to interpret since it pertains largely to individuals already receiving pensions, many of whom qualified by age and perhaps by lack of labor force participation. Costa treats this problem in an ingenious way for 1900 and 1910 regressions, but relying on these findings to contemplate such themes as current leisure activities among the elderly is a stretch. Chapters still more remote from the labor force decision, like that on the political economy of pensions, are largely derivative.

Still, the core chapters represent really important work, and the strong findings for pension effects add to our understanding of the importance not just of income, but of pension income, in changing human behavior. Like many other economists, Costa argues that Social Security itself was of minor importance. However, Old Age Insurance effects are notoriously difficult to measure. The denigration of Social Security effects also rises from a failure to take other literatures seriously. Costa is more sensitive than most historical economists to those outside the fraternity, but she still fails to recognize certain very useful findings in social history. Imprecise as they may be about the details, historians like William Graebner convey an essential truth when they fix upon the Social Security Act as a turning moment in our society, and one which encouraged an utterly new view of the life cycle. The problem begins with historical economists' insistence on using the term *retirement* for changes in labor force participation, a habit that has cost them many an intelligent reader. (Costa's rendition is especially convoluted [p. 7].).

Two last points: 1) there was no decline in earnings

with age among employed workers in the industrial period (pp. 12, 16, 33); 2) the author exhibits wonderful taste in the epigrams at the beginning of each chapter. Her book demonstrates that the elderly have paid no attention to Freud or to Shakespeare.

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