



Dent Basics 2: *People Drive Everything*

The Premise

Let's start with the simplest logic ever in economics. New generations are born about every 40 years, and those babies grow up, join the workforce, and begin to earn and spend more money until they peak in spending between ages 46 and 50, as we explained in Dent Basics: Predictable Consumer Spending.

Now, we are living longer and starting families a bit later than we did even four decades ago, which slightly pushes out our age for peak spending. This analysis is most relevant for those in

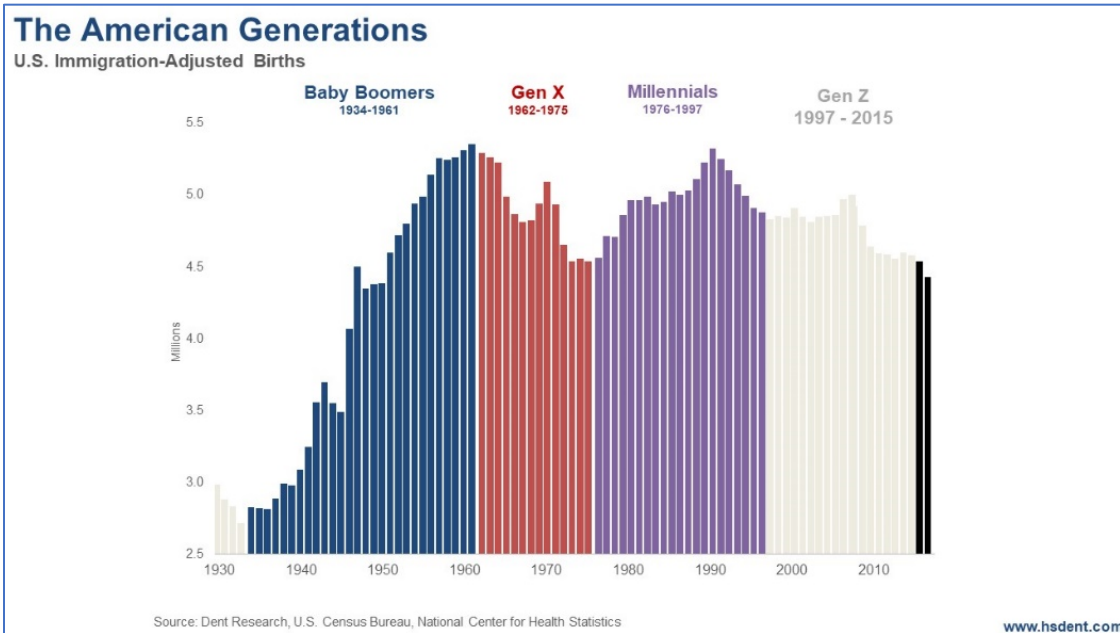


developed nations, where consumers are free to make spending decisions. Third-world countries typically do not have the infrastructure and political, legal, and economic systems necessary to leverage their people as they age. Hence, the demographic spending cycle is less applicable for those countries; instead, they are better tracked through urbanization.

It Starts With Births

The chart below shows births in the U.S., recorded annually since 1909 and adjusted for immigration. We make this adjustment by developing a grid of the number of people who immigrate to the U.S. each year by age, and then

putting each into the correct birth year. A 30-year-old immigrant arriving in 2000 would be put in 1970.



The old Immigration and Naturalization Service, which is now part of the Department of Homeland Security as U.S. Citizenship and Immigration Services, publishes numbers on immigrants, both legal and illegal. We know how old immigrants are by five-year cohorts. Most immigrants quickly fall in line with the spending habits of the domestic population, because they follow similar family patterns: they marry in their 20s, have kids, and then spend more as their kids get older before reaching peak household spending in their 40s.

U.S. births began to rise in the early 1900s and peaked from 1921 to 1924; people born then are in the Bob Hope or World War II generation. Births then fell, bottoming in 1933–1936 and rising again starting in 1937 to a much higher, multiyear top from 1957–1961. People born during this time frame are in the massive Baby Boom generation. Note that the peaks in the births of these two generations are about 40 years apart: 1921 and 1961.

In Dent Basics 3: Predictable Consumer Spending, we'll show you how people do predictable things as they age. After that, we can combine this simple but powerful information and turn it into must-have research for business owners and investors.

Got a question or comment? You can reach us at info@hsdent.com. Want great financial research? [Sign up here](#) for *The HS Dent Forecast* and *The Rodney Johnson Report*.
