



“Summary of article by Nancy Folbre: Children as Public Goods” in Frontier Issues in Economic Thought, Volume 4: The Changing Nature of Work. Island Press: Washington DC, 1998. pp. 345-347

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### **“Summary of article by Nancy Folbre: Children as Public Goods”**

“Children tumble out of every category economists try to put them in. They have been described as consumer durables providing a flow of utility to their parents, investment goods providing income, and public goods with both positive and negative externalities. Children are also people with certain rights to life, liberty and the pursuit of happiness.”[86] With economic development the cost to parents of raising children rises, but many of the benefits go to society as a whole in the form of Social Security and repayment of public debt. The work of parenting is therefore a public service and non-parents are free-riding on parental efforts. While the non-pecuniary benefits of children may be sufficient for many parents, for economists it is necessary to understand the role of unpaid parental labor in the development of human capital.

### **Economic Development and the Costs of Children**

During earlier periods in the now-developed world, parents were in a position to receive economic benefits from their children. Children often began to work at a young age and, when grown, relied on access to assets like family farms controlled by their parents. Since women had few means of support outside the family, the opportunity cost of raising children was low. Similar conditions exist today in the developing world.

With economic development the cost of raising children rises. Children stay in school much longer and begin employment later. This improves their future productivity and earning potential, but is more costly for parents. With the growth of labor markets women have more opportunities for economic independence. Geographic mobility also grows, weakening the implicit contracts of family life. Over the long run, fertility tends to fall, but values, norms and preferences surrounding the family persist, so that people adjust slowly to these changes and many families face stressful economic conditions. More and more families are headed by women alone and poor enforcement of child support from fathers means that women often bear a disproportionate share of child raising.

Public policy in the United States and Europe in the late 19th and early 20th centuries began to recognize changes in family structure and developed programs for old age insurance and public assistance for single mothers. These policies have generally provided greater benefits to the elderly than to single mothers and their children, particularly in the United States. Social Security has been particularly effective in reducing poverty among elderly men and married couples, but poverty among single mothers and children has grown. Over 40 percent of African American and Latino children in the U.S. live in poverty and even in parts of Europe where

benefits are relatively generous, single mothers and children are more likely to be poor than others. “In short, public policies have reinforced ... income flows from the young to the old, giving the elderly claims upon the earnings of the younger generation. At the same time, the share of fathers’ income transferred to mothers and children has declined, partly as a result of the growth of families maintained by women alone.”[87]

### **Unpaid Parental Labor**

Neoclassical economic theory posits a dualistic world in which individuals behave according to self interest in the marketplace and altruism within the family. The public sector is conceptualized along these lines as well, based either on self interest or altruism. This formulation ignores the potential for conflicts over resources among groups in society or along generational lines. However, patterns of income transfers, taxation, public debt, investment and environmental degradation tend to shift a greater financial burden onto the next generation. Expenditures of time, effort and money by today’s parents are important inputs into the ability of the next generation to carry out this responsibility. In addition, the reduction of their children’s future disposable income may reduce private transfers of income from children to parents.

The work that parents do in raising children is under compensated by society and undervalued by economic theory. “Many economists seem to believe that time and energy devoted to children reflect an exogenously given preference that provides a compensating differential for costs incurred.”[88] The same line of argument leads to rationalization of the failure of many divorced fathers to pay child support and the greater susceptibility of women to poverty. If women receive greater utility from children either through their own personal preference or through the pleasure of greater contact, then women will take on greater responsibility for them.

A moral sense of obligation can play a role as well as preference eliciting parental labor and both preferences and commitments are shaped by social norms and values. However, if parents are poorly compensated over the long run, these reinforcing norms and values may weaken and the supply of parental care may diminish. Recent patterns of divorce and desertion indicate that men are shifting away from family commitments faster than women. Although women and children have no control over this, public policy is far more generous to children of divorced or disabled parents (with no requirement that the other parent work outside the home) than it is to those whose fathers desert them.

### **New Directions for Family Policy**

The benefits that children provide to society impose a collective responsibility which is not being fulfilled. Several policy options have been proposed that reflect very different values. Some would uphold traditional family values (particularly maternal altruism). Others would rely on immigrants to perform household labor. Putting an end to public debt and pay-as-you-go Social Security would prevent non parents from receiving benefits from parental labor, but would severely limit macroeconomic policy. Social Security could be changed to provide payments only to parents from their own children, however this ignores the question of equal opportunity and introduces incentives for parents to prefer boys (who will have higher incomes) and to control their adult children’s lives in ways that are antithetical to personal liberty and autonomy.

Another proposal would pay a “bounty” to anyone who improved children’s contribution to society,

The best proposals are those which would distribute the costs of raising children more equally as well as promote equality of opportunity. These include enforcement of child-support, publicly supported child care, and compensation for parents through increased tax credits or exemptions and a guaranteed, above poverty level, minimum income. “While there are good reasons to encourage all capable adults to engage in job training or paid employment, it is important to remember that nonmarket work is still work. In fact, it is probably the most important work we do.”[89]