



“Summary of article by Elaine McCrate: Trade, Merger and Employment: Economic Theory on Marriage” in Frontier Issues in Economic Thought, Volume 5: The Political Economy of Inequality. Island Press: Washington DC, 2000. pp. 182-186

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Gary Becker set the stage for analysis of the family as an economic unit with his application of the metaphor of free trade to interactions within the family. In Becker’s view husbands and wives are free and equal parties to marital transactions while the family head makes decisions on behalf of all members. Robert Pollak later introduced the idea of merger to the discussion of what has been termed the New Home Economics. Pollak sees marriage as akin to the unstable form of a bilateral monopoly with no clear framework for resolving disagreements.

The article summarized here critically examines the trade and merger models of the family and proposes a third metaphor - employment as it is understood in Marxian analysis - as an image for the family decision-making process. This framework is more compatible with the efforts of feminist economists to grapple with power and inequality between men and women within the family as well as in the larger society.

Introduction

In recent years the percentage of female-headed households has been growing as a result of an increase in divorce and postponement of marriage. Women’s economic independence has been growing as well. To better understand these changes economists have taken an interest in modeling family behavior. Recent models take the form of metaphors, using the economic decision-making behavior of firms as the analytical framework for understanding the economics of the family.

Trade

Becker’s trade model has become the standard neo-classical theory of the family. Marriage is a free-trade agreement between two parties who bring different productive capabilities to the table. Because women earn a lower wage in the labor market, marriage is a rational choice that frees men for market work “with women trading household services for a share of men’s money incomes.” [156] Once the marriage contract is established, the family is assumed to function as a unit with the head acting altruistically to distribute family income among all its members. Unlike contracts in the business world, however, most terms of the marriage contract are unspecified and, in fact, unknowable in advance. To protect the interests of children, Becker asserts, the state imposes a lifelong contract. Yet many couples have no children at present and many never have children at all.

“Consequently, the first problem with the trade metaphor is its lack of correspondence with the institutional structure governing trade between men and women. The second problem ...is that Becker’s attempt to dismiss power relations from the picture founders precisely where he tries to theorize family conflict resolution, in the Rotten Kid Theorem.” [157] This theorem holds that a selfish family member (Rotten Kid) may want to increase his or her own income even at the expense of the family’s total income, but the selfish one would be foolish to do this because the altruist will reduce the transfer of family income to the Rotten Kid.

The Rotten Kid scenario can be interpreted as a dynamic of inequality and control as well as one of altruism. The Rotten Kid would only respond as the theorem predicts if his or her initial situation were one of inequality vis a vis the altruist; otherwise the transfer would not be sufficient inducement to prevent the selfish behavior. The transfer would also have to be the best alternative, that is the Rotten Kid’s options are restricted. Another critic of the theorem notes that the transfer must take place over time or else the Rotten Kid would be able to take the transfer and then do as he or she pleases. The implication is that non-selfish behavior on the part of the Rotten Kid is enforced by delayed gratification.

The analysis can be extended to the relationship between husband and wife. Under the trade motif, the wife depends on transfers from her husband in return for household services and this transfer is her best option. So, for example, she would not be free to take a distant job that would cause her husband to lose his own more lucrative one. Because men’s earnings generally rise for a good part of their work lives while women’s are generally flat, women receive the largest transfers late in life. The implication is that compliant behavior will be enforced over a lifetime because women lack access to subsistence on a par with men.

Merger

Pollak’s metaphor of merger was developed to overcome the problem of transaction costs inherent in a situation where full information about the terms of the relationship is unknowable and thus unnegotiable in advance. Without the ability to specify transactions precisely in advance spouses must engage in a bilateral bargaining process, the outcome of which is unknown and which may put their relationship in jeopardy. Merger gives both parties the same legal identity. “Each one internalizes the costs and benefits accruing to the other, motivating each one to establish an internal governance structure for the marriage.” [159] The merger model acknowledges the possibility of chaotic states with unresolved conflicts because the invisible hand of the market is inoperative within the merged environment.

Here again the state or church assumes a role in establishing and enforcing the terms of the marriage arrangement, not only on behalf of children, but also in recognition that marriages produce goods other than children. Although this transaction cost approach is better than Becker’s thesis, it fails to acknowledge the unequal terms of interaction between husband and wife. Yet history bears witness to innumerable asymmetries in the marriage relationship. For example, under British common law a woman’s property and wages belonged to her husband; women until very recently were punished more severely by law and custom for adultery than men were.

Employment: a Marxist-feminist Approach

Although neoclassical theory does not admit to asymmetries in power within the employment relationship, Marxian theory does. Ownership of the means of production confers to capitalists control over working class access to subsistence. The traditional situation of men and women in marriage is similar: through their market-based work men gain access to income, but women are dependent on men for their subsistence. “If we focus on the economic dimension of feminine dependence, we quickly observe that ‘getting a husband’ occupies a position in feminist theory on women’s oppression, which is analogous to ‘getting a job’ in the Marxian theory of capitalism.” [160] Two corollaries to women’s dependence are the power of men to extract economic benefits from marriage and the undemocratic nature of family decision-making processes.

Common law proclaimed the suspension of a woman’s existence and its consolidation with that of her husband for the term of marriage, a status known as coverture. This suspension of existence played out through a myriad of detailed prohibitions governing women’s sexuality, rights to income or property, custody of children and so forth.

The most extreme aspects of coverture were overturned in the nineteenth century, but just as class relations persist under “free market” conditions, men continued to have privileged access to the means of subsistence. As late as 1958, according to one study of women in U.S. labor markets, only 34 percent of white women and 32 percent of black women worked in capitalist or government work settings (that is outside of paid or unpaid domestic work). “Twenty-five years later, in contrast, women’s personal economic dependence on men had been substantially reduced, contributing to unprecedented instability and contingency of marriage.” [162] Women entered the labor force in increasing numbers. Although occupational segregation was high, women began entering some male dominated jobs. Government transfers to female-headed families increased until the 1970s. Family size fell after the late 1960s, easing the strain on single mothers’ income. At the same time, declines in male-dominated sectors in manufacturing reduced the control of men over the means of subsistence. With growing economic independence, “the relative economic attractiveness of marriage to women had diminished, and with it the incentive for women to endure physical, emotional, or economic oppression as wives.” Married women also benefited as the option of independence increased their power to bargain within their marriages over the distribution of resources and responsibilities or over exchanges of support and intimacy.

Frederick Engels predicted that such an alteration in the balance of power in families would reduce the need for women to exit or postpone marriage, transforming rather than ending the institution. That women increasingly choose non-marriage indicates that the transformation is not complete. Some analysts argue that men, not women, are rejecting marriage, and rejecting responsibilities for children as well. It may be that men are exhibiting a refusal to adjust to women’s demands.