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"Intrahousehold Dynamics and Changing Household Composition" by Laurie Dougherty

The household is an important, yet largely opaque, unit of economic analysis. According to economic theory, the household provides resources to the economy and acts as the agent of consumption of production. Empirical economists often base their research on households and statisticians routinely collect data on household variables. Yet, for many mainstream economists the internal operations and diverse composition of households are of little concern. Perhaps this simply reflects the conventional belief that the workings of the household are private matters, carried out through the medium of personal, often intimate, relationships. Perhaps mainstream economists are simply honoring the old maxim: "A man's home is his castle" along with the implied corollary: to do with as he will. For feminists, however, the veiled character of the home is not the end of the matter, but rather the beginning. Feminist economists clearly understand that the household is the site of complex, age-old patterns of interaction between men and women (and their children) and that these relationships often entail economic inequalities and asymmetries in power which affect economic decision processes and outcomes.

This essay and the summaries in this section are largely concerned with two themes that involve the social and economic ramifications of domestic relationships: intrahousehold dynamics and changing household composition. The discussion of intrahousehold dynamics brings to the foreground processes through which households arrive at decisions about their resources and consumption. These decisions shape the well-being of family members and determine the role each one will play in the larger economy. Rather than viewing the household as the domain of a benevolent dictator making decisions for family unit as a whole as proposed by neoclassical economists, less-orthodox economists perceive the household as an arena in which family members negotiate for fulfillment of their needs and preferences. Customs, norms and circumstances in the larger society play an enormous role in determining the relative strengths of men and women participating in these transactions. In turn, the relative strengths of men and women and the economic roles they play in the family are of interest to policy makers. Programs and benefits that are targeted either to men or to women or geared toward changing the balance of power in the home maybe better able to achieve particular policy goals than a less-focused agenda.

The topic of changing household composition reflects the increasing diversity of models of household formation, with particular attention to the economic difficulties faced by single

mother families in the United States. Single parents and their children form a growing share of all families for a number of reasons, some positive, some troubling. Divorce and unwed motherhood are more common and more widely accepted than in earlier periods of time. Women have achieved a greater measure of economic independence and are participating in the labor market in increasing numbers, both as a result of the women's liberation movement and in response to the fact that most men's wages have been stagnant or dropping for two decades.

Families with two working parents are also increasing as a result, but they face disorienting stresses as roles and expectations change. In some cases men who are unable to fulfill the breadwinner role or unwilling to share power within the family simply drop out of the picture, leaving women to raise children alone. And, as we discuss in more detail in Part 8, women, particularly women with children, are still at a disadvantage in the labor market; and female-headed families all too often fall into poverty. This is not a universal fate, however, since many other countries are more successful than the U.S. at relieving economic strain on single mothers and their children. Sweden presents an interesting and important contrast to the U.S. experience, as we will discuss in more detail below. In Sweden, both social welfare policy and labor market interventions offer a supportive environment to all families - and single parent families benefit enormously from this regime.

INTRAHOUSEHOLD DYNAMICS

Gary Becker's theoretical formulation known as the New Household Economics presents the generally accepted statement of neoclassical economic theory with respect to the household. (Becker, 1981)¹ Becker argues that households have a unified utility function which governs decisions about the internal allocation of resources. This theory claims that resources are acquired through an efficient division of labor under which, in the usual case, men work for wages in the labor market and women perform non-waged work in the home. The head of the household makes decisions about allocation of family labor and distribution of resources, acting in an altruistic manner so as to maximize the welfare of the family.

Even if one or more family members are selfish - Becker uses the example of a Rotten Kid - all will act in such way as to maximize family welfare. Becker reasons that if a Rotten Kid acts to increase his or her own income at the family's expense, the benevolent head of the household will balance the outcome by taking family income away from the Rotten Kid and distributing to other family members. However all - including the Rotten Kid - will now be worse off because the Rotten Kid's behavior has diminished the family's total income. So all members will find it in their interests to maximize total family outcomes and abide by the dictates of the benevolent head.² (Becker, 1981)

The New Household Economics has been challenged by feminists who claim that family members have different, often conflicting interests and preferences, but that they often differ in their abilities to realize these goals. Distributional outcomes reflect the balance of power among family members. In her study of relationships between gender and development, Naila Kabeer, offers a thoughtful critique of Becker's theory along with an outline of its origins and a review of other feminists' criticisms. (Kabeer, 1994)

Kabeer argues that neoclassical economic theory is inadequate for dealing with collective phenomena. “A major obstacle to incorporating the collective nature of households was that economic modelling had been developed to deal with individual preferences and behaviour.” (Kabeer, 1994, p.98) She traces the use of altruism to characterize intra-family relationships to Paul Samuelson who, in 1956, posed the problem of reconciling the preferences of individual family members with the need to establish an aggregate family utility function for the convenience of economic analysts. Samuelson assumed that a natural altruism among family members would resolve this dilemma, forging what he called a social welfare function.

Becker went on to elaborate the theory of the household, complete with benevolent dictators at the head, Rotten Kids, and “tied movers” and “tied stayers.” The latter two categories contain working spouses who either move to a locale with less desirable job prospects or stay in one because the partner’s job prospects are superior. Without explanation or apology for furthering the stereotype of the male head of household, Becker states in a footnote: “To distinguish the altruist from the beneficiary, I use the masculine pronoun for the altruist and the feminine pronoun for the beneficiary.” (Becker, 1981, p. 13, reprinted in Folbre, 1996, p.109) Kabeer points out that John Kenneth Galbraith and Amartya Sen were among early critics of Becker. Both Galbraith and Sen took note of the fact that the subordination of women within the family was ignored by this development in neoclassical theory.

Elaine McCrate, also offers a critique of Becker, discussing his theory as one of three metaphors for marriage. Two of the analogies she examines - trade and merger - emerged from neoclassical models of economic activity; the third is based on Marxist ideas about employment. These analogies focus on the allocation of household labor either to external (market-based) production of goods and services for cash income, or to internal (home-based) production of goods and services for the family’s own consumption.

Becker developed the trade motif, describing marriage as involving exchanges between partners with differing productive capacities. Women are presumed to be most productive when working in the home; therefore, the greatest returns to the family’s allocation of her labor will come from her work in the home. Men, as a rule, work outside the home, bringing in income. Husbands and wives exchange the fruits of their efforts, with husbands receiving domestically produced goods and services from their wives in return for a share of their income. The assumption of a benevolent head acting in the interests of the whole family offers a framework for decision-making. Family members are disciplined to the principle of maximization of total family welfare by the operation of the Rotten Kid Theorem - whoever acts selfishly against the family’s interest will be prevented from benefitting from that act by the benevolent head and forced to share in the family’s reduced fortunes.

The second metaphor discussed by McCrate comes from Robert Pollak. Pollak introduced the concept of a merger, describing marriage as a process which created a single entity out of two individuals. He proposed this model to resolve the problem of transaction costs embedded in a contractual relationship, the terms of which are not fully knowable in advance. The effort required to negotiate every least detail of daily life in an intimate

relationship would be extreme. In marriage, as in merger, two entities become one, with legal standing and specified rights and responsibilities.

As McCrate points out, both the trade and merger models obscure inequalities among family members. The Rotten Kid, who, as Becker himself points out, represents any member of the household other than the head, will only bow to the dictates of the altruist if their relationship is unequal. The position of the head is inherently one of greater power, but power goes unacknowledged by the theory. In Pollak's merger framework, no decision process for resolving internal conflict is obvious. The model offers no clear principle of operation for internal market transactions within marriage.

McCrate's own metaphor compares marriage to employment as it is understood in the Marxist tradition, because Marxism admits the existence of asymmetries of power, particularly as those asymmetries are expressed in the context of dependency. Just as workers are dependent on capitalists for work and income, women traditionally have been dependent on men for income.

Kabeer notes that discussions about the allocation of women's labor have a circular quality. Some analysts propose that families invest less in women's human capital (i.e., skills valued in labor markets) because women's prospective earnings are less than men's. Others propose that women's labor market prospects are poor because their human capital is underdeveloped. (Kabeer, 1994, p. 135, n. 1) This vicious circle still propels many women along a frustrating path of underdeveloped human potential, but it is beginning to break up. Although women's labor market earnings have not caught up to men's earnings, the gap is shrinking. More women than men in the United States are enrolled in college and 55% of bachelor's degrees in 1995 went to women. (Bell, 1999) As more and more women enter the labor market, their economic independence rises. Many women choose to delay marriage or remain unmarried; and married women achieve better bargaining positions within their households. (McCrate, 1987)

BARGAINING IN THE HOUSEHOLD

Many feminist are interested in the dynamics of collective behavior within the household and have applied new theories from microeconomics to the analysis of family decision processes. Marjorie McElroy spelled out the process of Nash bargaining and its implications both for household formation and intrahousehold allocation.³ (McElroy, 1990 and 1997) Nash bargaining can be used for a simultaneous analysis of household formation and intrahousehold allocation because the strength of each party's bargaining position within the family depends on his or her threat point, that is, the point at which he or she would be indifferent between entering or refusing to enter a marriage. This is also the point of decision for remaining in or leaving an existing marriage. The relative strength of each party influences how resources are allocated within the relationship. The threat point is determined by what McElroy calls extrahousehold environmental parameters. These parameters include factors such as those affecting the possibility of forming other relationships and those related to the potential for economic independence of each party (for example, employability or wealth of the family of origin). Because the threat point pivots on the existence or non-existence of the marriage, its use is credible only for major decisions with long-run consequences. Pierre-Andre Chiappori proposes that bargaining positions evolve into stable "sharing rules" which households use to allocate resources. (Chiappori, 1997)

McElroy also develops an analysis of marriage markets which match husbands and wives. The process is related to bargaining in that external resources influence each party's strength within the relationship and his or her command over the resources shared within the relationship. (McElroy, 1997) Both bargaining and marriage market models have implications for economic and social policy. If resources which men and women bring into a marriage are not completely pooled, as is assumed by the Becker model, then policies targeted to men or to women will influence bargaining positions within households. To give one example, welfare benefits for which only unmarried women are eligible may still improve the position of married women because they need only stay in a marriage if their access to resources within it is greater than they would have on welfare. (McElroy, 1997)

Nancy Folbre, takes up the argument that Nash bargaining depends heavily on threats of withdrawal from the relationship. Bargaining power depends on the strength of the fall-back position. If one person (usually the woman) is economically dependent on the other and unable to survive outside the relationship, that person will be less able to achieve goals within the relationship. Folbre argues that marriage cannot survive under constant threat of dissolution, that marriages mingle self-interest and altruism, and that there must be institutions and norms supporting the relationship and influencing the family decision process. It is in women's interest to form coalitions to participate in shaping these institutions and norms.

POOLED AND NON-POOLED INCOME

Although she does not couch her discussion in terms of a fallback bargaining position, **Martha Roldan**, presents the results of a qualitative study of women workers in Mexico City which shows that their ability to achieve their own goals vis a vis their husbands improves as their access to income improves. Her research also points to another question that is exposed once the black box of the household is opened up, i.e., the extent to which husbands and wives pool their income.

The Becker model assumes that income is fully pooled and available as a common resource for all family members. However, research into actual behavior indicates that this is not always the case. Eleanor Fapohunda argues that income pooling patterns actually form a continuum. At one end is the complete pooling implied in Becker's theory. At the other end, "pooling may entail merging limited economic resources for specific expenditures within a limited time frame." (Fapohunda, 1988, p. 145)

Roldan's research further illuminates some of the diversity in pooling arrangements. Most of the husbands in her sample had control over their own income and retained at least some of it for spending on their own needs (clothing, transportation to work, etc) and social and recreational activities. In some cases, generally among poorer families, husbands and wives pooled income to cover expenses like rent, food, utilities, and children's school and clothing expenses. Women in this group contributed all their earnings to the household pool. In other, generally better off, families, husbands were considered the main breadwinners. They controlled their own income and gave their wives allowances to cover basic expenses like food and rent. The women's earnings went for extras to improve family living standards. However, differences of opinion over what constituted necessities meant that women often bought household and children's items which their husbands would not pay for.

Fapohunda's own research in Nigeria among Yoruba families in Lagos found less evidence of income pooling. Her interviews with wives from three different types of Yoruba families found that men and women tended to divide responsibility for household expenses, with women paying for clothes and personal items for themselves and their children while men paid for rent, consumer durables and children's school and medical expenses. Few women knew what their husband's earnings were. It is interesting to note that her research included traditional Yoruba families, low-income migrants to the city and well-to-do families in the modern sector, yet similar patterns were found in all three groups. The implication is that increasing the income of husband or wife will enhance his or her own domain of responsibility, rather than improving family welfare in general. (Fapohunda, 1988)

Development analysts are interested in these issues because they want to understand how best to target development initiatives. If the family does have a unitary utility function, then it will not matter who in the family receives income from new job opportunities or benefit programs; the whole family will gain. If however, as the empirical research record seems to indicate, men and women have different preferences, different degrees of altruism, and/or different levels of strength, then resources will be allocated differently depending on who in the family acquires the income. Using data from a large scale survey of Brazilian households, **Duncan Thomas** developed an empirical test of the unitary preferences theory. His report is summarized in this section. He rejected the unitary model based on findings that increases in income generated different consumption patterns between men and women. Income that went to women resulted in far larger increases in household expenditures for human capital and leisure, improved nutritional content of food intakes and better health for children in the family.

CHANGING HOUSEHOLD COMPOSITION

More and more, the poor in the U.S. are women and children. The increase in single mother families plays a large role in this, but it is not taking place in isolation from other social and economic processes. Women, particularly women with children as Jane Waldfogel points out, are disadvantaged in the labor market. (Waldfogel, 1997) They earn less than men, to some degree because responsibility for children limits their ability to make an intense commitment to a career. Not only do single mothers earn less because they are women and mothers, they also often bear full financial and parental responsibility for their children. Nancy Folbre and others have called this the pauperization of motherhood. (Folbre, 1985)

Randy Albelda and Chris Tilly present detailed documentation of the intensification and concentration of poverty among single mothers. (Albelda and Tilly, 1997) In 1993 single mothers comprised 4% of all adults but 16% of poor adults in the U.S. As Figure 6.1 shows, a little more than 50% of single mothers were poor, compared to just over 10% of other women and 10% of men. Figure 6.2 shows trends in poverty rates for all children and for children in families headed by women. Poverty rates for children fell steadily from around 27% in 1959 to below 15% in 1969. After remaining fairly steady in the 1970s, they rose sharply to about 23% in 1983 and have stayed over 20% for most years since. According to the U.S. Census Bureau, children under 18 in single mother families were 23% of all children in 1997, but 59% of poor children.

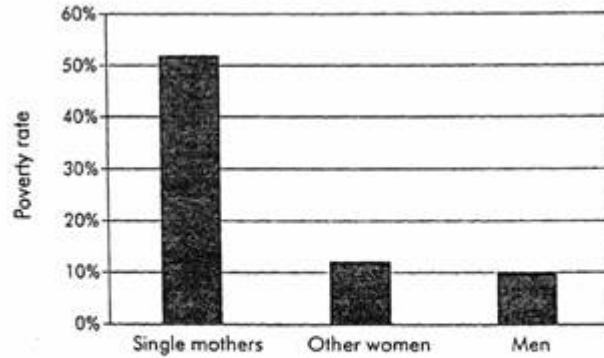


Figure VI.1. The Pauperization of Motherhood: Poverty Rates for Single Mothers, Other Women, and Men, 1993.

Source: Reprint of Figure 2.6, page 29 in Randy Albelda and Chris Tilly, *Glass Ceilings and Bottomless Pits: Women's Work, Women's Poverty*. Boston: South End Press, 1997. Reprinted with permission.

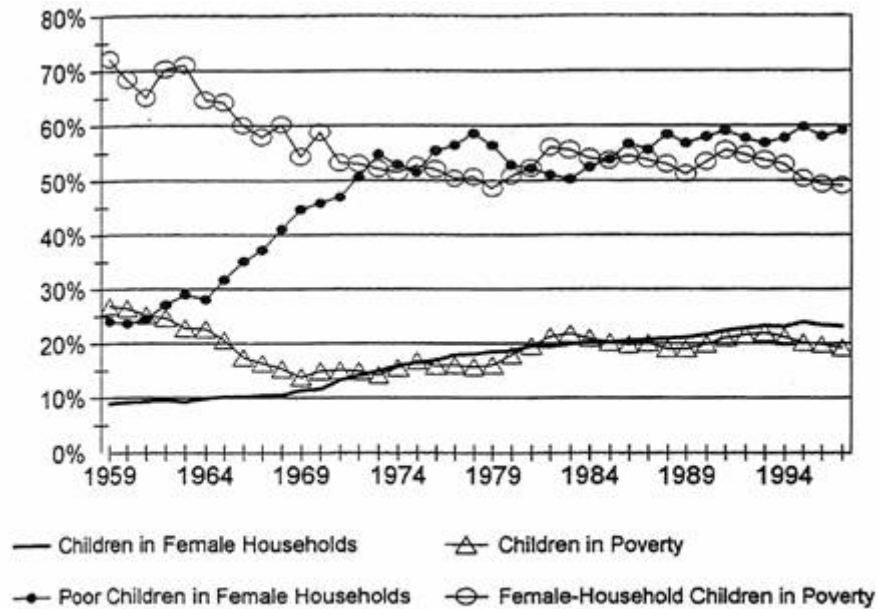


Figure VI.2. Children in Poverty, 1959-1997

Source: Excerpted from Table 10 in March Current Population Survey, U.S. Bureau of the Census.

As shown in Figure 6.3, poverty is an even greater problem among single mother families who are black or Latino. In 1997, 35% of all people living in female headed families were poor. For whites the proportion was 31% and it has been close to 30% since 1980. Among Latinos, the proportion is 51%, and has ranged from 50% to 60% since 1973. Although the share of black people in female headed families who were poor is 42%, it has been dropping steadily from 70% in 1959.

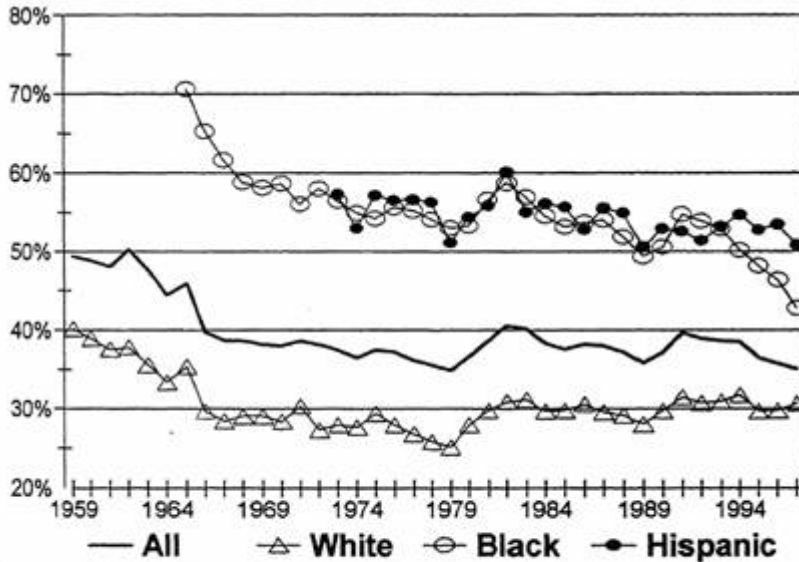


Figure VI.3. Female Headed Families in Poverty by Race and Hispanic Origin, 1959-1997

Source: Excerpted from Table 2 of the Historical Poverty Tables, U.S. Bureau of the Census.

High and increasing rates of female-headed families among black people are related to worsening economic conditions for black men, particularly young black men. **William Darity and Samuel Myers**, link the increasing marginalization of black men to an inability to form stable family units. Young black men were particularly hard hit by deindustrialization in the 1980s, suffering from loss of manufacturing jobs, falling wages, and deteriorating conditions in inner cities. This downward economic spiral has spawned an environment of violence and involvement with criminal activity that reduces the pool of young black men able to marry and support children.

Urban decay is just one of several signs that the United States is particularly reluctant to come to grips with effective social policy. The tightening labor market of the late 1990s has improved the employment situation for young African Americans, however, passage of a sweeping welfare reform bill in 1996 weakened the safety net for families. The dynamics of the present economic boom are not well understood, and should it falter, young adults from the inner cities will be among the first to feel the effects.

With respect to the situation of single mother families, the policy regime in the U.S. lags far behind many other industrialized countries. Figure 6.4, shows graphically that few poor single mother families in the U.S. are brought out of poverty by social welfare policies.⁴ The United Kingdom and the Netherlands, which would have much higher rates of poverty among single mother families than the U.S. in the absence of policy measures, have much lower poverty rates when the effect of tax and transfer policies are included.

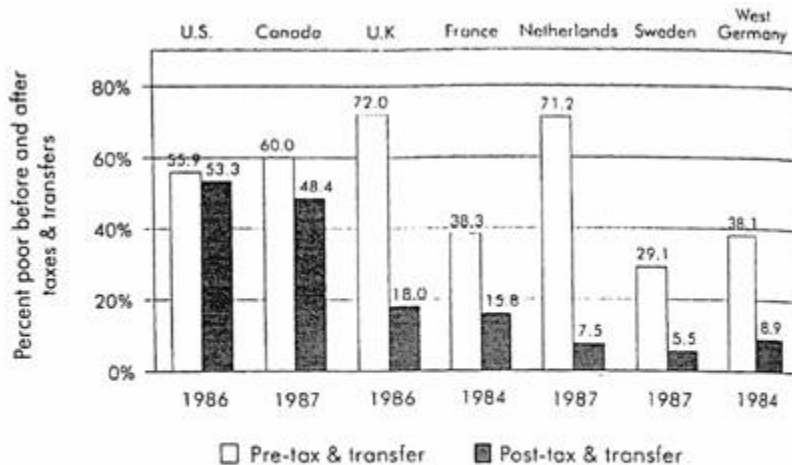


Figure VI.4. Single Parents Fare Better in Other Countries: Percentage of poor single-parent families before and after tax and transfer policies in seven industrialized countries, various years. Poverty line is defined as the median income of nonelder families.
 Source: Reprint of Figure 6.3, page 84 in Randy Albelda and Chris Tilly, *Glass Ceilings and Bottomless Pits: Women's Work, Women's Poverty*. Boston: South End Press, 1997. Reprinted with permission.

Sweden presents an interesting case. It has the lowest rate of poverty among single parent families of the seven countries in this graph both before and after welfare policies are accounted for. This is due in part to the high rate of employment among Swedish single mothers. Yet, as **Siv Gustafsson** points out, Sweden has very high rates of unwed motherhood. Her article presents a detailed examination of the Swedish policies that support single mothers. Not only does Sweden provide financial support and child care for mothers and children, but the social and economic climate is more conducive to involvement on the part of the fathers in their children's upbringing. Many of Sweden's social policies do not exclusively apply to single mothers. They are part of a much broader agenda to provide security for families with children and to encourage women to participate in the labor force.

CONCLUSION

Reducing household inequality requires both internal and external initiatives. It is necessary to redress the power imbalances within the family that are the legacy of a long history of patriarchal social structures. The larger community must recognize, value and support the dual role of the family as the agent of reproduction of society, and as the nurturer of human development.

For decades most discussion around household issues has concerned family and child welfare policy on one hand and the movement of women into the workforce on the other. The context within which these issues are debated is often strident and polarized. Conservatives view any deviation from monogamous heterosexual marriage with a homemaker wife and breadwinner husband as an attack on sacrosanct family values. On the policy front progressives are fighting a rear guard action against the destruction of the social welfare infrastructure built up in the New Deal of the 1930s and the Great Society of the 1960s.

It may be useful to conclude by looking back to the late 19th century which was also a period of economic ferment. Decades of rapid industrialization and burgeoning immigration put tremendous strains on the traditional family structures of people from many cultures who met in

the cauldron of the U.S. melting pot. Feminists of the day were very much engaged in rethinking the nature and role of the family. One of the most outspoken and visionary was Charlotte Perkins Gilman - novelist, essayist, activist, and economic and political thinker.

Gilman's concept of the family was as an institution shaped by men to benefit men and oppressive and stifling for women. "What man has done to the family, speaking broadly, is to change it from an institution for the best service of the child to one modified to his own service, the vehicle of his comfort, power and pride." (Gilman, 1911) As one of her biographers put it, Gilman's mission was to build domestic liberty for women. (Allen, 1988) Gilman felt very keenly the isolation and drudgery of women in the home. Her goal was to reinvent the way in which domestic work was done, to make it social and capable of generating economic independence for women. She envisioned not only new economic vehicles, but also a new architecture with commercial or communal facilities for house cleaning, cooking, laundry and child care. Women would share the work in collectives or small businesses in a process which would break down their isolation and confer on them and their work visibility and economic standing.

Gilman was not alone in her ideas. She was part of a vibrant community of intellectuals and activists who hoped to reshape society in a more socially conscious way. Unlike today, when conservatives seem to have captured the field of family values, and liberals are on the defensive, in Gilman's day, the family was prominent on the progressive agenda and was a topic that engaged creative and innovative minds. Of course, we can no more recoup the milieu of the turn of the last century than we can reconstruct the New Deal or the Great Society. But in trying to develop institutions that support both economic independence for women and economic security for families of all kinds, we need to look not only at social and economic policy, but also at new vehicles for carrying out household activities.

Notes

1. This theory was developed over several years starting in the 1960s. Becker, 1981 is a succinct presentation of the main points of the theory.
2. A distinction is often made between households and families. Households are generally considered to be made up of persons who share living quarters, whether they are related or not. Families are made up of persons related by blood or marriage whether they live together or not. The present discussion is concerned with relationships among people who share economic resources, usually including, but not limited to, housing; and who also share bonds of kinship or marriage (including common law marriage). So the terms household and family will be used interchangeably.
3. Nash bargaining is a two-party process in which equilibrium occurs when each party reaches its maximum position, given what the other party is doing. The strength of each party is a factor in determining the equilibrium position. (Pindyck and Rubinfeld, 1992)
4. Poverty rates in this graph differ from rates based on U.S. Census official poverty thresholds. The figures here are based on median incomes to ensure comparability across countries. The U.S. Census has developed experimental poverty thresholds more in line with international reporting methods. (Garner, et. al., 1998)