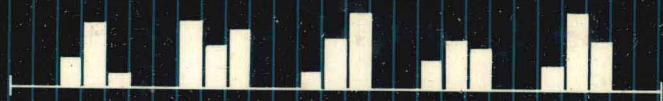


The
ECONOMICS
of
WOMEN,
MEN,
and
WORK



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THE ECONOMICS OF WOMEN, MEN, AND WORK

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**THE ECONOMICS
OF WOMEN, MEN,
AND WORK**

For

Larry Kahn
Daniel Blau Kahn
Lisa Blau Kahn

and

Bob Ferber
Don Ferber
Ellen Ferber Rogalin

With love

PREFACE

This book was written to fill the need for a text that would acquaint students with the findings of recent research on women, men, and work in the labor market and in the household. It is written at a level that should both utilize and enhance students' knowledge of economic concepts and analysis but do so in terms intelligible to those not versed in advanced theory. Even though we assume a knowledge of introductory economics on the part of the reader, an interested and determined individual wanting to learn more about the economic status of women as compared to men could benefit considerably from the material offered here.

The text, used in its entirety, is primarily intended for courses specifically concerned with the economic status of women. We think, however, that this book could be used to good advantage in interdisciplinary women's studies courses, as well as introductory level courses in economic problems. Selected readings would also make a useful supplement to round out a general labor economics course. Lastly, it contains enough information about publications in the field to be of use as a reference work for those not familiar with this rapidly growing body of literature.

Since we have both taught a course on women in the labor market for some time, we believe that the book has benefited from the experience and insights we have gained from our students. We are grateful for their patience and interest while we were developing our ideas. We are also particularly indebted to a rather large and diverse group of colleagues, from a number of disciplines, whose comments were often voluminous and always extremely valuable:

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Without their help, this book would have had many more deficiencies. For these, as well as for all opinions expressed, we, of course, take complete responsibility.

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F. D. B.
M. A. F.

**THE ECONOMICS
OF WOMEN, MEN,
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Chapter 1

INTRODUCTION

Courses in economics abound at universities and colleges, and there is an ample supply of texts focusing on the many facets of this discipline. Both these courses and these books increasingly recognize that women play an important role in the economy as workers and consumers and that in many ways their behavior and their problems differ from those of men. However, male patterns often receive the major emphasis and sex differences are, at best, one of the many topics covered. For example, workers are often assumed to enter the labor market after completing their education and to remain until their retirement. Similarly, institutions studied are mainly those involved in traditional labor markets, from businesses to labor unions and relevant government agencies. While women in growing numbers are spending an increasing proportion of their time working for pay, their lives and their world continue to be significantly different from those of men, and much of their time continues to be spent in the nonmarket sector.

In recent years, much attention has been focused on the fact that more than half of all women of working age, and more than half of all married women living with their husbands, are now in the labor market. Much has

been made, especially in the popular media, of the often large percentage increases in the number of women in nontraditional occupations, not to mention the publicity received by “the first woman,” whether it be stockbroker, jockey, or prime minister. All this tends to obscure the continued importance of traditional nonmarket work for the vast majority of all women, the persistent domination of traditional women’s occupations for those in the labor market, the inevitable relationship between these two, and their impact on the status of women. As long as this situation persists, there is a need to address these issues in depth, as is done in this book.

While economic behavior is clearly not isolated from the remainder of human existence, the primary focus of this book is on the economic behavior of women and men, on economic institutions, and on economic outcomes. To refresh the memory of students who have some acquaintance with economics, and to provide a minimal background for those who do not, we begin with a brief introduction to the tools of this discipline. Neoclassical or mainstream economic theory provides the major emphasis of this book. But students should be aware that other schools of thought, such as Marxist and institutional economic theories, also provide valuable insights which we have incorporated to some extent. Students who would like further readings on these alternative approaches will find a useful starting point in some of our references.

WHAT ECONOMICS IS ABOUT

Neoclassical economics is concerned with decision making under conditions of **scarcity**. This means that there are not enough resources to satisfy everyone’s wants, and choices have to be made about their use. Given this constraint, it is crucial to recognize that using land, labor, and capital to produce one good results in fewer of these inputs being available for producing other goods. Hence, the real cost of having more of one good is foregoing the opportunity of having more of another.

This concept of **opportunity cost** is fundamental to an understanding of the central **economic problem—how to allocate scarce resources so as to maximize well-being**. In order to make a rational decision whether to spend money to buy a new suit, or whether to spend time going for a hike, it is not sufficient to know how much utility or satisfaction will be derived from each. As long as the amount of money and time is limited, and we cannot buy and do everything, it is crucial also to be aware of how much satisfaction is lost by giving up desirable alternatives. **Rationality**, as economists use the term, involves some knowledge of available opportunities and the terms on which they are available. Only on the basis of such information is it possible to weigh the alternatives and choose those that provide more utility than any others.

It is one of the most fundamental assumptions in traditional economics that people may be expected to behave rationally in this sense. This does not mean, as critics have occasionally suggested, that only monetary costs and benefits are considered. It is entirely rational to take into account nonpecuniary factors since it is *satisfaction*, not, say, money income, that is to be maximized. This definition is so broad that almost everyone might be expected to behave this way. Nonetheless, this cannot be taken for granted. It is not satisfactory simply to argue that whatever a person does must provide more satisfaction than any other alternative course of action would have, because otherwise he or she would have made a different choice. Such an argument amounts to a mere tautology. An individual who does not have the prerequisite knowledge, who blindly follows the traditional course of action without considering costs and benefits, who fails to consider long-run implications or indirect effects, is not necessarily rational. Nor is it uncommon to find persons who, with surprising regularity, make choices which they presently appear to regret. Most of us have probably known someone whose behavior fits one or more of these patterns.

These facts should be kept in mind, lest we accept too readily that whatever people do must be for the best. On the other hand, as a first approximation it is probably more realistic to assume that people tend to try to maximize their well-being, rather than that they are indifferent to it. We shall, for the most part, accept this as a reasonable generalization, while recognizing that it is not necessarily appropriate in every instance. Specifically, it must be kept in mind that the knowledge needed to make optimal decisions is often difficult and costly to obtain. When this cost is likely to exceed the gain derived, it is rational to “satisfice”¹ rather than to insist on maximization. By the same token, however, when additional information can be provided relatively cheaply and easily, it is likely to be useful in improving decision making.

USES OF ECONOMIC THEORY

Assuming that individuals are rational is only one of the many simplifying assumptions economists tend to make in formulating **theories** and building **models**. The justification for this is that much like laboratory experiments in the biological and physical sciences, these abstractions help to focus attention on the particular issue we are attempting to clarify and on the main relationships we want to understand.

¹This concept was first proposed by Herbert Simon, *Models of Man* (New York: Wiley, 1957). He argued that when the knowledge needed to make optimal decisions is difficult and costly to obtain, an individual may be content with selecting a “satisfactory” alternative—one that meets a minimum standard of acceptability.

In many instances, the approach is explicitly to examine the effects of changes in a single variable, say, price or income, while assuming that all else remains the same. This is not to suggest that economists believe that is the case in the real world. An aerospace engineer finds it useful to test a plane in a tunnel where everything except wind speed is artificially stabilized, even though the vehicle will later have to fly in an environment where temperature, atmospheric pressure and humidity will change. Similarly, the social scientist finds it helpful to begin by abstracting from numerous complications.

A theory is not intended to be a full description of the underlying reality. A description is like a photograph which shows reality in all its details. A theory may be likened to a modern painting which, at most, shows the broad outlines of its subject but may provide deeper insight than a more realistic picture would. Hence, a theory or model should not be judged primarily on its detailed resemblance to reality, but rather in terms of the extent to which it enables us to grasp the salient features of that reality. Thus, economic theory, at its best, can help us to understand the present and to correctly predict the future.

Economists should not, therefore, be faulted for making simplifying assumptions or using abstractions, as long as they are aware of what they are doing and test their conclusions against empirical evidence, which is drawn from the real world with all its complexities. Unfortunately, this is not always easy to do. Computers now enable us to process vast amounts of information, and econometricians have made substantial progress in developing better methods for doing so. The availability, timeliness, and quality of the data, however, still leaves much to be desired.

Collecting data is a slow, expensive, and generally unglamorous undertaking. The U.S. government does more and better work in this respect than those of many other countries. Even so, by the time information is collected, compiled, or published, it is not uncommon for it to be as much as two years later. Some data are, in any case, only collected intermittently, others not at all. For a variety of reasons, including the government's appropriate reluctance to invade certain areas, as well as lack of interest in pursuing topics with no strong political constituency, there are some substantial gaps in official data collection. Private research organizations have endeavored to fill these to a degree, but they are even more likely to be constrained by lack of necessary funds. The data from such special surveys are particularly likely to be collected sporadically or at lengthy intervals. In spite of these difficulties, the possibilities for empirical work have improved beyond the wildest dreams of economists of even one or two generations ago.

When suitable data are available, evidence for some relationships can be obtained using such simple devices as averages and cross-tabulations. In other instances, however, very sophisticated statistical methods are required to analyze the data. Such studies are time consuming and rarely are conclusions