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Market Opportunities, Genetic Endowments, and Intrrfamily Resource Distribution: Comment

By NANCY R. FOLBRE*

In their recently published article in this Review, Mark Rosenzweig and T. Paul Schultz (1982) provide an imaginative and empirically compelling account of resource allocation in Indian households. They argue that differences in relative female-male infant mortality levels are attributable to differences in intrafamily resource distribution motivated by the larger potential contribution of female children to family income in areas with higher levels of female labor force participation. In other words, families constrained by poverty pursue an “orderly optimizing process,” giving female infants less food and medical care than male infants unless they anticipate that daughters will be able to make a contribution to family income comparable to that of sons. This argument is likely to offend those who reject the premise that family behavior is influenced by economic concerns. But, by providing an explanation of inequalities within the household that often go unexplained, Rosenzweig and Schultz have substantially enhanced the credibility of the “new home economics.”

The notion that unequal treatment of female children is the result of an orderly optimizing process on the part of the family is appealing precisely because no other economic explanations have been offered. Unfortunately, the optimizing process which the authors describe is not as orderly as it seems. Strict adherence to the neoclassical economic assumption that individuals are optimizers reveals serious inconsistencies in the new home economics assumption that family behavior is shaped by an exogenously given joint utility function. These inconsistencies center around the possibility that the joint utility function is not exogenous to the family, but is instead shaped within it by the economic power that individual optimizers have to impose their own tastes and preferences on other household members.

There is no a priori reason to dismiss the possibility that unequal treatment of females is embodied in a joint utility function that places a lower value on female utility than on male utility. Indeed, one leading proponent of the new home economics writes that the presumption of an unequal joint utility function fits quite well in the “male dominated families of much of the low income world” (R. E. Evenson, 1976, p. 88). Rosenzweig and Schultz never address this issue, despite their reference to “exogenous cultural factors (for example, religion and caste)” (p. 807), which amounts to a form of discrimination against women in the labor market. In fact, labor market discrimination against women is central to their argument for in its absence we might assume, following Reuben Gronau (1973), that females do not join the labor force because their marginal product in household production is greater than the market wage. Thus their contribution to the household would not necessarily be lower than that of males, although it would take the form of goods and services, rather than market income.

If discrimination exists in the labor market, despite the efficiency losses it entails there, is it necessarily absent from the household? Is the impulse to altruism within the household greater than the incentive to efficiency within the capitalist firm? Do employers (primarily male) have one set of tastes and preferences in the labor market and another in the home? Or are female infants that receive fewer calories and less protein than male infants being discriminated against?

The new home economics approach can accommodate the possibility that a “taste for discrimination” is embodied within the household’s joint utility function. As long as the postulated joint utility function is exogenous and constant, differences in household

*Department of Economics, Graduate Faculty, New School for Social Research, New York, New York 10003.
behavior can be explained as an optimizing response to differences in market opportunities. But, even if individual tastes and preferences are exogenous and constant over time, the way in which these individuals’ tastes and preferences are aggregated within the household’s utility function may change.

There are a number of reasons why the joint utility function may change as a result of changes in prices and incomes. If individual women are optimizers, they will join a household that places a lower value on their individual utility than on the utility of men as long as there are no more attractive opportunities. But, as opportunities for women to earn income outside the household become available, their bargaining power may increase and enable them to modify the household’s joint utility function. Marjorie McElroy and Mary Jean Horney (1981) as well as Marilyn Manser and Murray Brown (1980) have formalized such an approach through the use of Nash-bargaining models.

The infants whose life chances are determined by intrafamily resource distribution presumably do not exert any influence on the joint utility function (if they did, one wonders how female infants would weigh the utility of additional income for the household relative to the utility of their own survival). But what happens as children age? Do parents retain their ability to impose their own tastes and preferences on their children as they become adults? Or is such an imposition partly contingent upon the economic power that parents have over children, the power to impose altruism on “rotten kids” (Gary Becker, 1981)?

The economic benefits of children are determined not only by their earnings or their product, but also by the joint utility function that determines their propensity to share it with their parents. If one assumes, as Rosenzweig and Schultz implicitly do, that this propensity remains unchanged, one may assume that increases in market income lead to increases in filial contributions. But historical evidence indicates that increases in market opportunities for young men ultimately lead to a reduction in the flow of income to the older generation (John Caldwell, 1982). Increasing market opportunities for young women may initially have the opposite effect since they often lead to an increase in age at marriage and prolongation of coresidence and income sharing with their parents (Janet Salaff, 1981).

Rosenzweig and Schultz muster no evidence to show that the joint utility function is exogenously given and their empirical results are consistent with an explanation that differs substantially from their own. Mothers in Indian households may benefit relatively more from the survival of female children than fathers do, since daughters commonly assist their mother in household tasks. Greater market opportunities for women as wives may augment their bargaining power, allowing them to modify the joint utility function and to increase the flow of resources to female children. Furthermore, increased market opportunities outside the household may increase young men’s propensity to exit from or modify the households’ joint utility function and thereby lower their desirability as an “investment” relative to young women. Rosenzweig and Schultz’s empirical analysis would not capture this effect because it does not distinguish between market opportunities that are independent of the parental household and those that involve use of parental land or capital.

Many noneconomists have expressed skepticism regarding the basic assumptions of the neoclassical approach to household decision making. Such skepticism may or may not be warranted. I have argued above that the argument presented in Rosenzweig and Schultz’s article is inconsistent on its own terms, for it suggests that households respond to economic factors to seek an optimal allocation of resources, but that individuals do not respond to economic factors to seek an optimal joint utility function. Few scientific endeavors can proceed without reliance on somewhat heroic assumptions. But such assumptions must be applied consistently, especially where their modification leads to an entirely different interpretation of the same empirical results.

Both interpretations of the Indian data reach a similar conclusion—that the expansion of market opportunities may mitigate inequality in the household. But the paths to
this conclusion diverge from the very outset. In Rosenzweig and Schultz's view, differences in intrafamily resource allocation reflect responses to economic factors which are optimal from the point of view of the household as a whole. The alternative view is that such responses may be more optimal for some family members than for others. Again, in Rosenzweig and Schultz's view, the expansion of market opportunities automatically leads to declining inequality within the household. The alternative view is that market opportunities have this effect only if they empower disadvantaged household members to change the joint utility function. Rosenzweig and Schultz's analysis mirrors the larger neoclassical vision of a world in which no significant conflict of interest exists. However seductive such a world may be, it bears little resemblance to the one inhabited by Indian families or by U.S. economists.

REFERENCES


