Economics and Women:
A Critique of the Scope of Traditional Analysis and Research

by Joan McFarland

The foundation of the current formal body of economic analysis rests on the rather curious concept of "economic man"—on the a priori assumption that man in a capitalistic society whether worker, businessman, consumer or investor is motivated by economic forces, and hence will always act in such a way as to obtain the greatest amount of satisfaction for the least amount of cost.
"Man" in this instance is meant to stand for "humankind." However, there is little evidence that there actually is an assumption of "economic woman" in the analysis. Instead, it is often assumed that women are primarily motivated by other than economic considerations. An extreme example of this kind of problem can be seen in a fairly recent paper where an elaborate model is put forward to explain why a female might choose to stay at home rather than work. (1) The key to the model is the assumption made that "women regard their household activities primarily as acts of love" (italics mine). Fortunately, not all traditional economists have chosen to make such mockery of women's role in the economy. However, few have seen fit to talk about the equivalent of "economic man" in female terms.

Most of the analysis in traditional economics has ignored the role of women in the economy altogether; in those few cases where it has been taken up, such specific questions have been looked at that the status quo is in no way challenged. Instead it has been left to radical economists, non-economists and women in the liberation movement to deal with the substantive issues posed by women's changing role in the economy.

Basically what is intended here is to bring together the various kinds of work that have been done on the subject of women's role in the economy. The main concentration will be on a description and critique of the type of work done by the traditional economists. It seems most important to bring together this material not only to familiarize others with what is available but also to allow an evaluation of the direction which traditional economists seem to be taking on the topic of women. In addition an attempt is made to outline the quite different direction that the radical analysis of women's changing role in the economy has taken and to contrast its scope, choice of subject and treatment of the problem with that of the traditional analysis.

1. THE TRADITIONAL ANALYSIS

The traditional analysis has centered on the subject of women in the labour market. Apart from that, there has been a small amount of attention given to the economic contribution of the woman in the home. However, any overview, or macroeconomic analysis, of women's role is almost totally lacking.

The analysis of the labour market has three major themes. First, there are those analyses which deal with the determinants of the demand and/or supply of female labour. Second, there are those analyses which study the structure of factor markets which result in discrimination against women. Thirdly, there are those studies which attempt to measure the extent of discrimination against women which exists in specific labour markets.
The supply of female labour

Studies on the supply of female labour have concentrated primarily on the case of the married woman. The explanation given for this is that the married woman's participation in the labour force requires a special analysis. Whereas both men's and single women's participation rates* depend on a choice between work and leisure, for the married woman, the choice is between three alternatives: work outside the home, work inside the home and leisure. As the analysis goes, the wife is drawn into work outside the home by economic variables; her potential earning power and any insufficiency in the earning power of her husband. These two factors are often referred to as the 'pull' and 'push' factors. On the other hand, the wife is drawn into the home by such demographic variables as her age, marital status and the ages of her children.

Two of the most important American studies on the subject, by Jacob Mincer(2) and Glen Cain(3) have concentrated on determining the relative importance of two economic variables on the participation of married women:

*"Participation rate" is defined as the number of women who are in the labour force as a percentage of those who could be.

the potential earnings of the wife and the actual earnings of the husband. The analysis is then tied into the traditional analysis of an individual's supply curve of labour and the income and substitution effects of a change in the return to labour. The income effect results from the change in the husband's earnings while the substitution effect results from the change in the wife's potential earnings.

In the empirical testing of the aggregate data done in these studies, the results show that the substitution effect or the "pull effect" of the wife's potential earnings to be stronger than the income effect or the "push effect" of the insufficiency of the husband's earnings. The authors use these findings to explain the apparent contradiction that the participation rate of married females over the past few decades has been increasing concurrently with the increased earning power of their husbands. They further argue that the increased participation rate of married females is the reflection of the increased potential earning power of those females, an effect which outweighs the negative impact on female participation rates of rising male incomes.

Both Mincer and Cain do consider the influence of other variables such as the wife's education and the number of children under six years of age but in
general they find the explanatory value of the wife's potential earnings and the husband's actual earnings to be greater.

Another American study by W.G. Bowen and T.A. Finegan takes the work of Mincer and Cain still further with their emphasis on the problem of explaining the changes in the participation rate of married females over time. Applying cross-section coefficients to time series data, the authors claim to be able to explain substantially all of the change in the participation rates of married females in the United States from 1948-65 using income, labour market and demographic variables. The inclusion of the labour market variables is in itself notable about the Bowen and Finegan study. This has hardly been done elsewhere. The labour market variables are specifically an industry mix variable, a supply of females variable and a wages of domestics variable. The first two give a rough indication of the job opportunities for female workers while the latter gives a rough measure of the cost to a married female of entering the labour market.

Of the Canadian studies, only Sylvia Ostry in The Female Worker in Canada, emphasizes any of the above themes. She deals briefly with the issue of the relative importance of the husband's actual versus the wife's potential earnings. On the basis of 1961 Canadian census data, using the wife's education as a proxy for her earning potential, Ostry suggests that the pull effect seemed to be considerably greater than the push effect.

The other Canadian studies look at a wide variety of possible determinants of the labour force participation of women but on the basis of cross-sectional data only. In most of these studies, the existence of children seems to be the most important determining variable. Of interest also is the finding in a number of these studies that the explanatory power of the husband's earnings is greater than that of the wife's earning potential. However, the implications of these results are not emphasized. Four of the studies were done for the Dominion Bureau of Statistics and one was published in the Canadian Journal of Economics. Three were based on the 1961 and previous census data, one on a consumer finance study done by Statistics Canada and the last on a sample survey of families taken in metropolitan Toronto.

The earliest of these studies, that by Allingham (1967), considers the participation of all women in the labour force not just that of married women. He cross-tabulates three variables with respect to women's labour force participation, namely, marital status, education and age and finds them to rank in that order of importance. Allingham and Spencer's 1968 study of married women, which uses multiple
regression analysis, finds that for the younger woman, aged 15-44, the presence of children and the level of her education to be the most important variables determining participation in the labour force, while for the woman aged 45-64, her education and her husband's income are the two most important variables.

Ostry's study (1968) considers many variables by both cross-tabulation and multiple regression analysis. The results suggest that the presence of children is the most important variable determining labour force participation for women under forty-five while the level of the husband's income is the most important variable for women over forty-five.

Spencer and Featherstone consider among other variables, in their 1970 study, the effect of families' financial assets and debts on married women's participation in the labour force. They find that the relationship does occur as might be predicted: wives' participation rates increase with an increase in debt, and decline with an increase in the level of asset holdings. Unfortunately, data was not available for this study on either the wives' earning potential or their education so that this most important variable could not be tested.

In Spencer's more recent Canadian Journal of Economics paper, the wife's education is included as a variable. However, he finds the presence of infants the most important explanatory variable and the husband's income level the second most important explanatory variable particularly when it is over $15,000. He finds the importance of the wife's education to be less than either of these other two variables with the wife's education in science more important than education in any other field.

These studies, both the American and Canadian, are interesting and useful to a point. However, they epitomize the traditional approach. They only examine why women do what they do not why they do not do something different or what factors might bring about a change. The variables chosen for testing also show little familiarity with any of the women's literature which suggests that the three most important factors affecting a wife's choice about whether or not to work would be: the attitude of those around her to her working, particularly that of her husband; how she perceives her possibilities in the labour market--specifically, the extent of discrimination which she will have to face and the limits to her upward mobility; and lastly, the availability of daycare facilities at a reasonable cost. Of all the studies, only Bowen and Finegan even vaguely consider these variables. None of these factors is ever touched on by the others.
The demand for female labour

There has really been only one important study on the demand for female labour. That was a Ph.D. thesis based on American data done by Valerie Oppenheimer. In it Oppenheimer explores the question of the extent to which a growing availability of jobs in predominantly female occupations has created a "demand-pull effect" on women's market work. She concludes that it does indeed have a very important effect. For the 1940-50 period, there was a 40% rise in the availability of jobs in "female occupations" (defined as those jobs in which 70% or more of the workers are female). For the 1950-60 period, she finds a little less than a 50% increase in the jobs in "female occupations" and a 60% increase in occupations in which women comprised 50% or more of the labour force. Oppenheimer suggests that these figures could be interpreted in the following way:

On the whole, this suggests that perhaps the best explanation for the overall increase in female labour force participation in recent years is that there has been an increase in the demand for female workers which has, in turn, stimulated an increase in the supply of women to the labour market.

This conclusion has many implications not the least of which would be the need for a change of emphasis in the research being done on this subject.

Discrimination in the labour market

The analysis of discrimination in the labour market is of basically two types. The first is the overcrowding model based on the assumption of monopsony in the labour market and the second is the discrimination model based on the assumption of perfect competition in the labour market.

The overcrowding thesis was introduced early in this century by a British economist, Millicent Fawcett, who suggested that women, as a result of being denied entry into many professions, are crowded into unskilled occupations. This increases the supply of labour in such occupations, driving wages down.

In the thirties Joan Robinson formalized the overcrowding thesis by analyzing it in terms of a monopsonistic labour market in which the supply of labour as perceived by the employer is different for male and female labour. To the extent that the supply curve of female labour is perceived as lower than that of the male supply curve, the female's wage is lower than the male's.

*A firm is said to have monopsony power in the labour market if it has some control over the wages it pays its employees.
The discrimination model, developed by Gary Becker primarily to explain discrimination on the basis of race but also applicable to discrimination on the basis of sex, assumes perfect competition in the factor market. (11) Discrimination is simply the result of a preference by the employer for male employees. This results in a higher demand curve for male employees than for female employees and thus a higher wage for males than females. Whereas in the case of monopsony in the factor market, it can be shown that the employer may actually benefit financially from discriminating, with perfect competition in the factor market, the employer pays a premium as a result of discriminating, by the underhiring of women and the overhiring of men.

Most recent literature on the structure of factor markets, where discrimination by sex occurs, favours the monopsony model to the perfectly competitive model. The work of H. Zellner, Francine Weiskoff and others suggest that the balkanization of factor markets or occupational segregation is the major factor explaining the differential rewards of men and women in the labour force. (12) One writer puts the question of the relative value of each of the two approaches this way:

The analysis of discrimination is related to the definition of discrimination invoked. The basic premise of the analysis varies as the writer concerned herself (hims- self) with discrimination between equally productive workers in terms of wages or with discrimination which created entry barriers to high paying occupations. While perfectly competitive models explain some of the former discrimination, they are impotent in explaining the latter. (13)

Measuring discrimination

There is a considerable body of work measuring discrimination in terms of the differential in male and female earnings when qualifications, work experience, etc., are standardized. There are basically two approaches to this work. The first is the calculation of a sex-ratio of male/female earnings adjusted for the different employment characteristics in the two groups. Sylvia Ostry uses this method to analyze the 1961 Canadian census data. She adjusts the sex-ratio of female earnings for annual hours worked, occupational distribution, age and education. (14) She finds an unadjusted sex ratio of 54%, i.e., women earned on average 54% of what men earned in 1961. After the adjustments, the ratio is 77.2% or 85.0% (depending on the weights used in the comparison). This leaves an unexplained residual of 15-22%. The author suggests that at least some of this must be attributed to discrimination--"the fact that women were paid less than men for comparable work."
A number of American studies have been done using the same sort of technique as Ostry used. These studies find residuals varying between 29% and 43%.(15)

The second approach uses the human capital investment model in which an individual's present earnings are seen primarily as the result of past investment in education although adjustments are made for work experience and performance on the job. The return on the males' investments is then compared with the return on females' investments. One recent study, using this approach to examine the salary differentials of professional employees in a single corporation, finds that it is in job assignment not in different pay for the same work where the differing returns of male and female investment are in evidence.(16)

The economic role of the housewife.

Traditional literature on the economic role of the housewife is far from satisfactory. The main question, of course, involves the computation of the value of the housewife's unpaid services in the home. There are at least three different conceptual approaches to this problem, each suitable for different purposes.

The first method is to calculate the imputed value of the services provided by the wife in the home. Colin Clark pioneered it in the late fifties when he estimated the service component of the cost of keeping people in institutions.(17) The more recent method, and the one suggested in the popular magazines, is to break down the housewife's job into its various aspects, as for example that of cook, dishwasher, cleaning woman, babysitter, chauffeur, etc., compute the number of hours spent at each of these tasks and then calculate the value of these services by multiplying the hours spent on each by the prevailing hourly wage rate for such work in the market.(18) These calculations are often in the range of $8,000-$14,000 yearly for the average housewife.

The second method of placing a value on the housewife's services is that of calculating her opportunity cost. This presumably would be the one favoured by most economists. Specifically, the opportunity cost of a wife working in the home would be what she could earn outside of the home. These calculations are usually made on the basis of her qualifications, education and previous relevant work experience.(19) On average, the results by these calculations are lower than those based on the imputed value of services performed. Most housewives, having planned to be such since adolescence, have not prepared themselves for skilled or professional jobs in the labour market.

The third method is to calculate the replacement cost of a wife by using the salary which a homemaker would have to
be paid to take over the wife's household duties. This would result in the lowest estimate of the three for domestic help as a rule receives very low pay. (20)

These calculations are made for quite different purposes. Some of the most important are: to estimate the omissions in the GNP resulting from the non-inclusion of housewives' services; to assess the loss in potential production because of housewives' choices of non-market over market work; to evaluate what either the husband or society should pay a housewife for the services she performs; or to calculate the value of a claim for damages in the case of the death of a wife.

None of the three methods is suitable for all of the purposes above. For example, the imputed value of the wife's services approach might be appropriate for calculations of omissions from the GNP but not at all useful for estimating the loss in production from the wife's household work, and highly questionable in calculating a salary for the housewife, or her replacement value.* Yet, the calculations for the imputed value of the

*Note that in the Canadian study calculating the contribution of housewives to the GNP, the opportunity cost not the imputed value approach is used. (See note 19.)

housewife's services are the most often quoted, probably because such calculations put the highest value on a housewife's services.

**Overview by the traditional economists**

Only a very few of the traditional economists have addressed themselves to what are considered by the women's movement to be the substantive issues posed by women's liberation. One exception is Barbara Bergmann who, in a paper, "The Economics of Women's Liberation," discusses the question of the post-liberation economy. (21) She describes such an economy as one in which "it would be customary for all women who are not students to do paid work outside the home and for all men to do as much unpaid work inside the home as women do"--a state of affairs which she regards as "grossly unlikely" to occur.

Bergmann predicts a 30% increase in the size of the labour force in a post-liberation economy, with a resulting downward pressure on wages. However, she suggests that the effects of the increase of the size of the labour force could well be countered by a fall in the length of the workweek. The most dramatic effect, she predicts, would be the change in pay and in the number of women in occupations in which discrimination has traditionally existed. She quotes some estimates which suggest, for example, that the size of the labour force competing in previously male-only occupations might increase by 15%
(this would be for the United States) with a corresponding 15% drop in the wage rates. On the other hand, employment in previously female occupations would be cut by about 35% with an increase in pay in the order of 55%. Other changes would include a reduction in the incidence of poverty since a substantial percentage of families below the poverty line are headed by women, and the redistribution of housework between members of the family and between non-market and market sectors of the economy.

A Canadian economist, Fernand Mattant, also looks at the question of a post-liberation economy. (22) Mattant suggests that the oft-heard fear of unemployment as a result of the greater participation of women in the labour force may well be ill-founded. In fact, he suggests, the work formerly done by the homemaker would have to be done in the market economy and as a result there would be a creation of new jobs and a considerable expansion in certain sectors of the economy. Rather than greater unemployment in a post-liberation economy, the standard of living of the general population might actually increase since there would be economies of scale involved in the "industrialization of housework."

Other traditional economists have failed to address themselves in any meaningful way to the question of a post-liberation economy or other substantive issues posed by women's liberation and thus their work tends to be considerably limited in its application. Glen Cain provides an example of such narrow thinking in his study on married women in the labour force. It is obvious he does not regard a change in women's behaviour as an issue that presents a new problem that requires a different kind of solution altogether. On the contrary, he views it as merely an additional variable to be taken into account when old problems are considered. Thus he states:

Married women have become so important a segment of the labour force that attention to their work patterns is necessary for a full understanding of many important economic problems: economic growth and the cyclical behavior of national income, the personal distribution of income, the effects of income taxes on labour supply, and birth rates. (23) (Italics mine)

II. THE RADICAL ANALYSIS

The work of radical economists and women in the movement is concerned with quite different economic questions than those examined by the traditional economists. The radical group raises more substantive questions such as what economic forces are responsible for the inferior position of women in our society, what must be done to overcome these forces and how would a society look in which such discriminatory forces did not exist.
Most of the literature is based on exploring the relationship between sexism and capitalism. The strongest proponents of the connection between the two suggest that sexism will never be eliminated within a capitalistic economic system. Marx and Engels believed this and so do a number of more recent Marxist and socialist writers.

Many women in the movement suggest that liberation in all sense of that word is not possible under capitalism and that the elimination of sexism could "at best . . . only give women the same limited freedom given most men in capitalist society." However, on the other hand, these writers believe very strongly that the elimination of capitalism will by no means guarantee the elimination of sexism. They suggest that the battle against sexism can be fought separately and can well begin under capitalism.

What specifically are the relations between sexism and capitalism according to these writers? These can be explored in three realms of a woman's life: in the home, at the workplace and in the marketplace.

Women's traditional role in the home supports capitalism, it is suggested, in at least three different ways: in providing financially uncompensated domestic services, in making life bearable for the alienated worker and in training the future labour force. Margaret Benston, in a well-known passage, emphasizes the relationship between the inferior status of women and women's economic role in the home:

The material basis of the inferior status of women is to be found in just this definition of women. In a society in which money determines value, women are a group who work outside the money economy. Their work is not worth money, is therefore not even real work. And women themselves, who do this valueless work, can hardly be expected to be worth as much as men, who work for money. (24)

She calls for the industrialization of housework as a prerequisite for women's liberation. However, she predicts that there will be considerable resistance: The need to keep women at home arises from two major aspects of the present system. First, the amount of unpaid labour performed by women is very large and very profitable to those who own the means of production. To pay women for their work, even at minimum wage scales, would imply a massive redistribution of wealth. At present, the support of a family is a hidden tax on the wage-earner--his wage buys the labour power of two people. And second, there is the problem of whether the economy can expand enough to put all women to work as part of the normally employed labour force. Their incorporation into the labour
force on terms of equality—which would create pressure for capitalization of housework—is possible only with an economic expansion so far achieved by neocapitalism only under conditions of full-scale war mobilization. (25)

Some other writers emphasize the service provided by the homemaker in pacifying the alienated worker and preparing children for their future roles as either workers or homemakers:

A woman is judged as a wife and mother—the only role she is allowed—according to her ability to maintain stability in her family and to help her family adjust to harsh realities. She therefore transmits the values of hard work and conformity to each generation of workers. It is she who forces her children to stay in school and behave or who urges her husband not to risk his job by standing up to the boss or going on strike. (26)

The secondary status of women is also rooted in the role forced on her in the workplace. Women are largely marginal workers who can be attracted into or edged out of the labour force according to the needs of the economy. The most dramatic illustration of this was what happened during World War II. (27) Women entered the labour force in very great numbers and performed jobs of all types. When the men came back from the war, however, women were forced either back into their homes or back into "women's occupations."

How is it that women allow themselves to be treated like this in the workplace? The answer is simple. Women have been socialized to accept their role in the home as primary, in the labour force as secondary:

Because they consider their economic contribution supplementary even when it is necessary to maintain a decent standard of living for their families, they are more willing than men to accept low pay and poor working conditions. Because they have been socialized to be docile and accept subordinate positions, they are far less likely than men to organize or create trouble for the employer. As they feel responsible to continue their role as housewives and mothers while working (and there are no facilities to relieve them of this burden), they are forced to accept a very low economic position, and even if skilled, to be exploited as a cheap labour force. They are bound to search for work near their homes and very often for only part of the day or year. Thus, they are in a poor bargaining position vis-a-vis their employers. This situation is further exacerbated by the tendency of many women to work until their children are born, drop out of the work force for ten, fifteen, even twenty years,
then return to work after their children are grown. Thus they never acquire seniority or qualify for retirement or other benefits—employers, who are reluctant to promote women to prestigious or high paying jobs, have an excuse not to do so. (28)

There is another group in this school who have concentrated on the theme of how the traditional role of the woman in the home supports capitalism through encouraging a high level of consumption. (29) With someone at home whose primary concern is with the house, and who is stimulated into buying for the home because of massive advertising directed mainly at her, more consumption probably takes place than would otherwise occur. And since capitalism can be hurt by an insufficiency of the level of effective demand, this function of the housewife directly supports the viability of the capitalist system. (30)

Dialogue between the traditionalists and the radicals

Dialogue between the traditional and radical economists has been almost non-existent. Neither seems aware of what the other is doing. In fact, only one exception to this general rule can be cited. Barbara Bergmann attempts to discredit the radical analysis in "The Economics of Women's Liberation." (31) She suggests that the allegation that "women's subjection is all a capitalist plot" is ill-founded, that it is the workers not the capitalists who gain from women's exclusion from certain occupations. She argues that the capitalists actually "lose financially" from discrimination since "profits are lowered when cheap female help is spurned in favor of high-priced male help." As for the role played by females as consumers under capitalism, Bergmann scoffs at the idea that "capitalism will collapse if women don't stay home and spend their time purchasing consumer goods." She suggests that "in fact women who stay home are a poorer market for capitalist enterprises' products than women who go to work." There is, she says, a greater necessity for these women to pay for household and personal services.

Actually, Bergmann's comments only emphasize the lack of dialogue between the two groups. She does not refute the arguments of the radicals on the same grounds on which they were made. Specifically, the exploitation of women workers is not made on the basis of those occupations from which women are excluded but rather on the basis of those occupations into which women are allowed to enter. In jobs where women's marginal attachment to the workforce can be exploited, this certainly would benefit the employer not the other workers. As to the other argument, even though women might purchase more ready-made food and use more services employed than unemployed, it
is argued that they would be inclined to take less interest in purchasing commodities for their home and themselves if they were working than if they were at home.

The basic problem here would seem to be that Bergmann's whole conception of a post-liberation economy is far too narrow. She does not envisage a society where women are truly "liberated." If, indeed, women who after all are fifty per cent of the population, did refuse to carry out the function of housewife, if women workers did all quit their female ghetto jobs and if women did lose interest in buying for their homes and themselves to keep up with popular magazine standards, there is little doubt that the capitalist economy would be hard-hit and might indeed be imperilled. But more importantly, Bergmann simply does not face up to the central point made by the radicals. The liberation of women would mean a massive redistribution of income between males and females. This poses a significant threat to the status quo. In fact, nothing of this kind has ever occurred in the past in any part of the capitalist world.

Conclusion

In what direction should we go from here? The following are simply a few suggestions.

Basically what is needed is a greater concentration by all economists on the more interesting and far-reaching questions posed by women's liberation. More specifically, there must be more analysis of the impact of really crucial factors in bringing about a change in women's status. This could begin by the inclusion of such variables as the availability of day care services and the extent of discrimination in the labour market in examining women's present labour force participation—the variables missing with studies presently available. From there, the analysis could move on to the subject of the post-liberation economy and project the labour force participation rate of women with universal day care and the elimination of discrimination.

In the macroeconomic area, there should be analysis of what would happen to growth, employment and income distribution if women really were liberated. At the moment, economists are making such projections largely on the basis of status quo assumptions about the economic contribution of women. More specific questions which could be considered include how women's liberation would affect not only the supply of labour but also the demand for labour with the exodus of housewives from the home and the demand created for the provision of these services in the market economy—the kind of work suggested in the Mattant paper. Other interesting questions might involve the demand and supply created for both part-time workers and work opportunities with the liberation of women.
The fact of the matter is that the opportunities for contributions from economists to the debate on women's liberation are limitless. The problem now is only to direct those economists working in the area to the relevant questions.

NOTES
6. See the bibliography under "Traditional Analysis," authors Allingham and Spencer, for more complete information to the source of these articles.
8. Ibid., p. 160.
19. For example, this is the method used in the study by Francois D. Lacasse, Women at Home: The Cost to the Canadian Economy, Study No. 2, The Royal Commission on the Status of Women in Canada, 1970.
23. Ibid., pp.120-1.
25. Ibid., p. 23.
29. See for example, Goldberg, p. 346.
30. The implications of this line of reasoning have been violently objected to by some women. They consider it to be a put-down of women, an elitist view, not typical of some male radicals. It is argued that women do not hold power as consumers rather that "the consuming women do is labour, specifically part of women's domestic and sexual obligations." Further it is argued that the media does nothing to create the super homemaker, sex-object image of women but rather simply reflects women as me in a sexist society force them to behave." See for example, "Consumerism and Women," in Woman in Sexist Society, ed. V. Gornick and B. Moran, New York, 1972.

BIBLIOGRAPHY
Traditional Analysis


Radical Analysis


