

Home Economics, New

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The New Home Economics (NHE) consists of economic theories and applications of economic analysis dealing with home-based decision-making. NHE expands on other economic analyses by taking account of the family connections binding households together, and by expanding the domain of economic analysis. Whereas prior to NHE firms and government were the sole institutions analyzed in depth by economists, since NHE economists also pay increasing attention to marriage and family, the institutions governing home-based decisions.

First, NHE has added new depth to economic analyses of household decisions which form the core of economics, such as analyses of consumption and saving, labor supply, and transportation. Polish-born Jacob Mincer from Columbia University in New York became one of the founders of NHE in the late 1950's when he and other neo-classically trained labor economists failed to explain findings on women's labor supply in the United States with theories based on individual labor/leisure trade-offs. Mincer's (1993, originally published in 1962) contribution was based on the realization that labor supply is decided in a family context and that time not spent in the labor force includes not only leisure, but also household production, child care, and education.

The Marxist tradition, which recognizes the influence of economic forces on reproduction and household production had left few marks on U.S. economists. Few were aware of Engel's *Origins of the Family, Private Property, and the State*, which recognized women's economic role as producers in the household; or of the work of other Marxist writers who followed that tradition. Despite her Chicago affiliation, Margaret Reid's 1934 *The Economics of Household Production* did not have much impact on the development of NHE either.

Gary Becker had been one of Mincer's mentors and was his colleague at Columbia University at the time that NHE was born. Becker published an economic theory of fertility in 1961 (see Becker 1976:ch 9). In his widely cited *Theory of Allocation of Time*, published in 1965, Becker formalized the idea that time in the home has an economic value and exported NHE to more areas of application, including consumption studies, health economics, and transportation economics. The extensive cross-fertilization between Mincer, Becker, and some of their colleagues at Columbia, Becker's prominent status (he was awarded the Nobel prize in 1992) and Becker's move to the University of Chicago in 1971, have led some to call NHE the Columbia-Chicago school of home economics. Discussions of the economics of production in the home, the essential idea promoted by NHE, is now of standard use in economics, including in (generally neoclassical) economic studies of labor supply.

Second, NHE has shown that economic analyses can enrich study of fields often considered outside the domain of economics. Becker led the way in applying neoclassical NHE to the study of fertility, marriage (Becker 1976:ch. 11) and related topics. Growing new fields such as economics of the family, demographic economics, economics of GENDER, the economics of intra-household allocation, and the political economy of MARRIAGE are products of NHE.

The first wave of NHE by Becker, and others following his approach, has been mostly neo-classical. Such studies typically emphasize the influence of income and wages on individual and family decisions. The impact of institutional structures and personal preferences was underemphasized in early NHE models, which also typically assumed that families make home-related decisions. Early NHE research has been challenged on two major grounds.

One of the central assumptions of NHE to be questioned is that of constant preferences. There is a growing awareness among economists that individual preferences cannot be assumed to be constant. Institutions and cultures are important influences on decisions in the home. Laws and norms which vary across countries, ethnic groups, and over time are central to our understanding of decision-making in the home (see Folbre 1994, Grossbard-Shechtman 1993). In his later work, Becker has also challenged this assumption, although not in the context of NHE.

A second assumption that many are now questioning is the assumption, typically made in NHE, that decisions are made by the families as a unit. Except for the economic analyses of marriage and divorce, including Becker's, other applications of NHE assumed family, rather than individual, decision-making. Increasing numbers of economists realize that an analysis of all home-based decisions needs to take account of the separate interests of individual household members. There are at least four independent origins to the movement from family utility models to separate utility models.

Theories of marriage based on bargaining theory and game theory were among the first challengers to the 'family utility assumption'. One of the major contributors to the bargaining approach to marriage has been Marjorie McElroy, whom Becker had invited for post-doctorate research at the University of Chicago in the late seventies (McElroy and Horney 1981, see also Manser and Brown 1980). Lately, both cooperative and non-cooperative game theory has been applied to household decisions by increasing numbers of economists. A second challenge to the family utility assumption in labor applications of NHE came from Shoshana Grossbard-Shechtman (1993, first published in 1984), a student of Becker, and French scholar Pierre-Andre Chiappori (1992), who offered models of labor supply of wives and husbands assuming individual utilities. Third, family utility models typical of the

first wave of NHE have been challenged by feminists such as Marianne Ferber and Julie Nelson (1993), who were disturbed by the implicit assumptions of male dominance found in much of the early NHE literature. Fourth, the family utility assumption is rapidly losing ground as increasing numbers of empirical studies demonstrate that consumption decisions depend on who controls resources in a family.

The future of NHE is uncertain at the time of this writing. Some of the challengers have associated NHE with the now unpopular assumptions that were used by Becker, Mincer and most of their followers and do not see a future for NHE. However, rejecting NHE is like throwing the baby out with the water. Given NHE's historical role in promoting research on home-based labor and consumption decisions, and NHE's contribution to new fields of economics such as gender, marriage, family, and intra-household allocation, opposition to NHE may impede the expansion of these fields of research.

Homes are not of lesser importance to our understanding of the economy than are business firms or governments. Economists who study how economic decisions are made within families should not have lower status within the economics profession than economists who focus on the allocation of resources within firms. To bring home-based decisions into the focus it deserves, economists studying such decisions need to draw on all the resources they can gather, including the theories, methods, modes of discourse, and personal connections they can find within the New Home Economics.

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