WOMEN and the ECONOMY

Family, Work, and Pay

SECOND EDITION

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Addison-Wesley

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London Toronto Sydney Tokyo Singapore Madrid
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Addison-Wesley
is an imprint of

PEARSON

www.pearsonhighered.com

ISBN-10: 0-321-41094-7
ISBN-13: 978-0-321-41094-8

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PREFACE

Welcome to the second edition of Women and the Economy: Family, Work, and Pay. In this edition, as in the first, we take the tools of economics and use them to examine women's lives, from marriage and the family to the labor market. We blend economic theory with discussions of cutting-edge empirical research and contemporary policy issues to offer a different and fascinating perspective on women's lives in the 21st century. Women and economics—what could be more interesting?

New to this Edition

This new edition strives to continue the successful approach and structure of *Women and the Economy* while including the latest research and topics in the field. The most dramatic change in the second edition is the greatly increased coverage of international women's issues. We do this in two ways. First, an entirely new Chapter 15 focuses exclusively on women in developing countries, with sections on marriage, fertility, labor markets, and the role of economic development on the well-being of women. As with the rest of the chapters, each section begins with the facts and trends and then examines them in light of the relevant economic theory. These analyses are related to the theoretical material presented earlier in the core chapters on these topics, but incorporate the role of important cultural norms and institutions in developing countries such as dowries and brideprices, polygyny, arranged marriage, and child labor. We also focus on a wide range of policy issues in developing countries, including the role of family planning programs in reducing fertility, the role of children in providing old-age security for their parents, and the role of micro-lending in empowering women and providing them with capital to start small business.

Second, extensive discussion of women's issues in Europe is now integrated directly into earlier core chapters on marriage, fertility, labor force participation, and earnings. These discussions emphasize either the ways that trends for these women are similar to those in the US or how they differ and why.

Substantial revisions have been made throughout the text. We have updated and enhanced our data, figures and tables. Questions and suggestions for further reading have been added to each chapter to further engage students and motivate critical thinking. We re-read every page, informed by our own

teaching experience, with fresh eyes to see what could be strengthened and what could be streamlined. In Chapter 5, the discussion of the economics of fertility is simplified and tied much more closely to the style of analysis in the rest of the book. Other topics that received a major overhaul include the causes of the decline in marriage (Chapter 3), the economics of divorce (Chapter 4), occupational segregation (Chapter 8), earnings differences (Chapter 10), poverty and welfare (chapter 12), and the marriage tax (Chapter 13). The previous edition's Chapter 15 on family structure is now folded into Chapter 14 on family policy, eliminating any duplication of material.

We have included nearly two dozen new boxes that discuss specialized or controversial material. These boxes include the division of labor in families (Chapter 3); the role of gender preference in divorce and fertility (Chapters 4 and 5); what's behind the decline in the teen pregnancy rate (Chapter 6); working women from the 1900 Census and the opting-out issue in women's contemporary labor force participation (Chapter 7); differences between men and women in experimental environments in their willingness to compete (Chapter 9); a new and controversial biological explanation for the gender wage gap (Chapter 10); Title IX's relationship to math and science (chapter 11); marriage initiatives and poverty (chapter 12); and the "mommy-wars" (chapter 14); and many more. In addition, the new chapter on women in developing countries includes boxes on marriage and family from a Middle-Eastern perspective, the causes and consequences of very early marriage for girls in developing countries, and the important economic role of remittances from women working abroad.

We are confident that the many improvements we have made will help professors and students alike understand and explore the lives of women from an economics perspective.

Distinctive Features

A number of features in this book continue to distinguish it from other textbooks about women and their economic lives. One is its emphasis on issues outside of the core of work and pay that dominate other textbooks. In all, six chapters address family issues—Chapters 3 and 4 on marriage, Chapters 5 and 6 on fertility, Chapter 14 on family policy, and Chapter 15 on women in developing countries. In other texts, family issues are mostly used to explain labor force trends. In this book, these issues receive the direct attention they deserve. Indeed, we begin the book with the analysis of family issues, because it sets the stage for what follows. Our experience as teachers of courses on women and the economy has taught us that students truly enjoy thinking about these personal issues from an economics perspective, and that they find it rewarding and insightful.

Another distinctive feature is our treatment of labor supply issues. Most other textbooks primarily examine the labor-leisure choice with an emphasis on hours of labor supplied to the market. But that approach makes much more sense for men's labor supply than for women's. Our approach is quite different: We emphasize labor force participation within a labor-leisure-household production model. The virtue of this is that it emphasizes the dimension of labor supply that has changed the most—labor force participation—and integrates changes in the household and in the technology of household activities into the analysis. At the same time, this approach is easier for students, since the theoretical and graphical complexity of income and substitution effects can be avoided. An instructor who prefers the traditional labor-leisure model will find it in the appendix.

Every chapter includes something special. Here are just a few of the highlights:

- A section on women in the economics profession as part of a discussion of when a woman will win the Nobel Prize in Economics (Chapter 1).
- An introduction to natural experiments in economics and, more generally, to the difficulties of making causal inferences (Chapter 2). Examples of this appear throughout the book.
- Becker's supply and demand approach to marriage market equilibrium (Chapter 3). Applications of that approach include a numbers mismatch, the effect of rising wages for women, and a change in attitudes about sexual activity outside marriage.
- A discussion of the economic impact of divorce on women and men that points out a famous and widely-cited error made by a well-known scholar (Chapter 4). Students can appreciate the idea that social scientists are fallible and do sometimes make errors.
- A full and careful discussion of the child quantity-quality distinction and its implications for fertility (Chapter 5). This is sophisticated and fascinating material that is presented in no other textbook of this kind. The new treatment of the material to much ??? approachable.
- An extensive discussion of teen childbearing, its cause and consequences (Chapter 6)
- A careful discussion of Claudia Goldin's research on the life-cycle pattern of women's labor force participation (Chapter 7 and Chapter 9) and also her work, with Cordelia Reimers, on sex discrimination in hiring in symphony orchestras (another example of a natural experiment) (Chapter 10).

- Detailed discussion of the Earned Income Tax Credit, in addition to the traditional discussion of welfare (Chapter 12 and 13). We examine how the Earned Income Tax Credit might affect labor supply and how it might reduce poverty.
- Detailed examples and explanation of the marriage tax and marriage subsidies in the Federal tax system, Social Security, and the Earned Income Tax Credit (Chapters 12 and 13).
- A thorough discussion of maternity leave, parental leave, and child care policies (Chapter 14).
- Richer theoretical models of marriage and fertility to explain these behaviors in developing countries (Chapter 15).
- The companion Web site, www.aw.com/hoffman-averett, includes all the figures and tables plus PowerPoint outlines for each chapter.

The book also has important pedagogical features. The theory chapters (Chapters 3–10) have a common structure. Each begins with an introduction that motivates the material and then turns to the basic empirical magnitudes and trends of, for example, marriage or fertility, in the process emphasizing the broad issues or puzzles that any theory would need to explain. For example, the marriage chapter emphasizes the decline in the proportion of adults who are married and the fertility chapter stresses the decline in fertility rates. After presenting the facts, each chapter then introduces the relevant economic theory, which is developed with an eye toward explaining the facts—exactly what theory should do! Finally, comparative static analysis is used to explain the key changes and trends that the first section introduced.

The pedagogical goal is to have students first appreciate the facts to be explained, then see an economic analysis designed to explain the facts, and finally see how well the models perform. By the end of the text, students will not only have seen a great deal of interesting economic analysis, but they will have begun to absorb and appreciate the underlying economic approach and distinctive economic way of thinking.

We have pitched the presentation of economic theory to a level consistent with the preparation of students who have completed a standard one-semester course in microeconomics. A basic understanding of supply and demand, opportunity cost, and the idea of maximization is all that is necessary to understand the analyses we present. Students without that background can use the review material in Chapter 2 to get up to speed. There is one requirement, however, whatever the background—the ability to think abstractly and out-of-the-box.

As a practical matter, the main text includes no indifference curves, no isoquants, and no budget lines. The appendix to Chapter 7 does present a traditional analysis of labor supply using indifference curves for instructors who want to use that approach. Very sophisticated economic concepts and economic thinking are used in many places, but not highly technical and graph-intensive expositions. We have worked very hard to make explanations simpler, while still doing justice to the analysis. The analyses of fertility and labor force participation are particularly good examples of this approach.

Using this Book

There are many different paths through this text, as well as different potential audiences. Chapters 2, 3, 5, 7, and 8–10 are the core analysis chapters, and we strongly recommend using as many of them as your course schedule allows. They cover economic thinking and methods (Chapter 2), marriage (Chapter 3), fertility (Chapter 5), labor force participation (Chapter 7), and earnings (Chapters 8–10). Chapters 4 and 6 are extensions of the basic theory. Chapter 4 addresses three marriage-related issues—the male marriage premium, the low rate of marriage among black men and women, and divorce. The three sections are entirely free-standing; an instructor could teach any or all of them. Similarly, Chapter 6 is an application of the analysis of fertility, focusing on teen and non-marital fertility, both causes and consequences. It, too, is free-standing and could be included or not as your course allows. Students do like thinking about those issues, because the issues concern young adults like themselves.

Chapters 11–14 present public policy applications. Chapter 11 explores the various policy options for addressing the gender wage gap. Chapter 12 asks why women are more likely than men to be poor and explores the two main antipoverty programs in the U.S.—TANF and the EITC. Chapter 13 focuses on taxes and Social Security, Chapter 14 on family policy, especially parental leave and child care. Chapter 15, entirely new to this edition, focuses on women in developing countries.

Wherever possible, we have linked these policy chapters back to the relevant theory in the core chapters. Each chapter is free-standing. They can be taught in almost any order or integrated into the core chapters. For example, the policy chapter on family policy could be taught right after the theory chapters on marriage and fertility. Chapter 11, which deals with policies related to closing the gender wage gap, is a natural to follow Chapters 8, 9 and 10, which explore women's earnings. Furthermore, our four-chapter series on women's earnings and policy (Chapter 8–11) could be taught on its own or before the marriage and fertility chapters.

This text can readily be adapted for courses in economics of the family or in basic economic demography. Courses like that might use Chapters 2–7, some of Chapters 8–10, and Chapters 13–15. The material here ought to be accessible to students from disciplines outside economics, for example, advanced undergraduates and graduate students in demography, sociology, public policy, or urban affairs, who want a taste of the economic approach to these issues.