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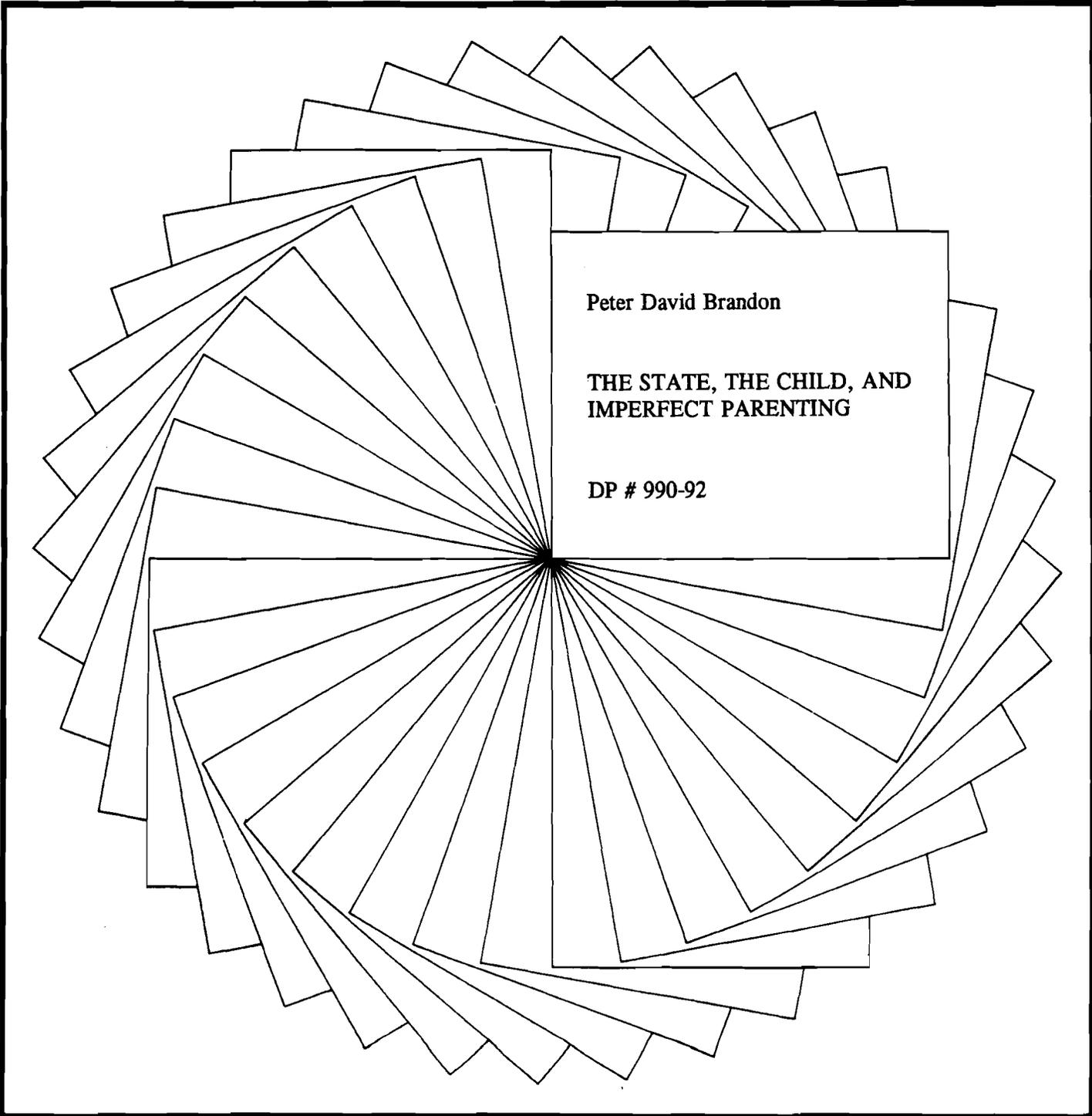
Peter David Brandon

THE STATE, THE CHILD, AND
IMPERFECT PARENTING

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Abstract

This paper considers state interventions in families on behalf of children whose parents are negligent. The state faces an "agency problem" when it intervenes on behalf of neglected children because it cannot fully monitor families; for instance, it can give cash transfers to poor parents, but it cannot observe and make sure that the parents spend the money on their children. Consideration of this agency problem leads to three additional considerations: that because of the state's agency problem, legislators have preferred giving in-kind benefits, rather than income transfers, to negligent parents; that society benefits economically from maintaining alternatives to the traditional family, such as foster homes; and that parents neglect their children because they prefer their own consumption over that of their children.

The State, the Child, and Imperfect Parenting

> *"Every man feels his own pleasures and his own pains more sensibly than those of other people . . . After himself, the members of his own family, . . . his children, his brothers and sisters, are naturally the objects of his warmest affections. They are naturally and usually the persons whose happiness or misery his conduct must have the greatest influence."* (Adam Smith, *Wealth of Nations*)

This paper expands Becker and Murphy's (1988) argument that, under certain conditions, state intervention in families is efficient and in the interests of parents.[1] To reach these conclusions, Becker and Murphy made a key assumption: parents are the perfect agents to provide child care. But as Becker and Murphy realize but did not consider, not all parents properly care for their children. This paper's point of departure comes from considering situations in which the state intervenes in dysfunctional families, in which parents are not the perfect child-care providers. In these situations, instead of sanctioning parents' child-care decisions, the state acts in locus parentis to protect and support children's rights. But the state cannot guarantee the well-being of children in such families because it cannot fully monitor families; it has, in short, an "agency problem." For instance, the state can give cash transfers to poor parents, but it cannot observe and make sure that the parents spend the money on their children; it cannot send caseworkers to visit every family each day.[2]

I argue three things. One, that because of the state's agency problem, legislators have preferred giving in-kind transfers rather than income transfers to dysfunctional families; because in-kind transfers can usually purchase only basic consumption goods, parents who receive them are more likely to spend them on what their children need; hence, the state's agency problem is reduced. Two, even in-kind transfers, and certainly cash transfers, do not force parents to always meet their children's needs; government is fiscally more responsible to society when it stops giving more and more money to these families and instead places the children out of the home; thus, it is economically

beneficial for society to maintain alternatives to the traditional family, such as foster homes. And third, although most people agree that parents neglect their children for psychological reasons, I consider the possibility that their neglect is also due to preferring their own consumption over that of their children.

I highlight the paper's major themes--the state's agency problem, the role of in-kind transfers, society's need for alternative families, and parental neglect as a result of parental preferences--by modeling one common form of imperfect parenting: parental neglect. The model shows how the state's agency problem is pervasive, regardless of whether parental and societal preferences are congruent.

The paper has three sections. In Section I, I present data on parental neglect of children which illustrate that it occurs in nontrivial numbers, confirming that the state faces an agency problem too often to be ignored; I also discuss how this neglect conflicts with the state's interest in children's well-being. In Section II, I highlight the pervasiveness of the state's monitoring problem by modeling neglectful parenting (i.e., parents who lack "altruism" for their children). In Section III, I summarize the analysis and discuss caveats.

I. BACKGROUND

Parental neglect occurs often enough that the agency problems confronted by states are real. For example, Table 1 shows that in 1986 there were 2,086,000 substantiated and unsubstantiated reports of child maltreatment.[3] During the 1980s, the rate of reported child-neglect and abuse cases increased from 18.1 reports per 1,000 children in 1980 to 32.8 reports per 1,000 children in 1986. Most revealing for the purposes of this paper is that maltreatment consists mainly of "deprivation of necessities." Moreover, by 1984, nearly 50 percent of reported cases came from families receiving public assistance, or, alternatively, over a third of reports referred to children living in

TABLE 1

Child-Maltreatment Cases and Characteristics of Children, Families, and Perpetrators: 1976 to 1985

Item	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
Number of children reported (1,000)	699	838	836	988	1,154	1,225	1,262	1,477	1,727	1,928	2,086
Rate per 10,000 children	191	128	129	154	181	194	201	236	273	306	328
Type of maltreatment:											
Deprivation of necessities	70.7	64.0	62.9	63.1	60.7	59.4	62.5	58.4	54.6	55.7	54.9
Minor physical injury	18.9	20.8	21.2	15.4	19.8	20.4	16.8	18.5	17.7	15.4	13.9
Sexual maltreatment	3.2	6.1	6.6	5.8	6.8	7.5	6.9	8.5	13.3	11.7	15.7
Emotional maltreatment	21.6	25.4	23.8	14.9	13.5	11.9	10.0	10.1	11.2	8.9	8.3
Unspecified physical injury	.5	.4	.4	2.5	3.1	3.2	4.7	5.2	3.6	4.1	(NA)
Major physical injury	3.1	3.7	3.5	4.4	3.9	4.1	2.4	3.2	3.3	2.2	(NA)
Other maltreatment	7.6	7.5	7.4	8.9	7.7	11.7	9.2	8.3	9.6	10.2	21.6
Characteristics of child involved:											
Age, average (years)	7.7	7.6	7.4	7.5	7.3	7.2	7.1	7.1	7.2	7.1	7.2
Sex:											
Male	50.0	49.9	49.4	49.5	49.8	49.2	49.5	48.9	48.0	48.1	47.5
Female	50.0	50.1	50.6	50.5	50.2	50.5	50.5	51.1	52.0	51.9	52.5
Race:											
White	65.3	71.5	70.4	72.1	72.7	73.0	70.8	73.1	74.5	(NA)	(NA)
Black	17.0	15.9	17.2	17.5	16.6	18.6	19.1	17.5	17.5	(NA)	(NA)
Hispanic	10.0	6.4	9.6	4.9	5.1	4.7	6.1	6.8	5.5	(NA)	(NA)
Other	7.7	6.2	2.8	5.5	5.6	3.7	4.0	2.6	2.5	(NA)	(NA)
Family characteristics:											
Single-female-headed families	38.5	38.7	40.7	41.8	39.3	43.1	43.4	40.3	37.4	(NA)	(NA)
Children in household, average (number)	2.3	2.3	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.3	(NA)
Families receiving public assistance	45.0	46.5	43.9	48.3	44.2	43.4	43.4	47.4	48.3	(NA)	(NA)
Characteristics of perpetrator:											
Age, average (years)	32.3	31.7	31.7	32.0	31.4	33.8	31.2	31.3	31.5	31.5	31.7
Sex:											
Male	39.0	39.2	39.0	38.1	41.2	39.3	38.6	40.4	43.0	40.6	44.1
Female	61.0	60.8	61.0	61.9	58.8	60.7	61.4	59.6	57.0	59.4	55.9
Race:											
White	65.1	71.2	71.2	71.2	72.0	71.1	69.0	69.5	69.9	(NA)	(NA)
Black	17.7	16.5	18.4	19.1	17.6	19.7	19.7	18.7	19.1	(NA)	(NA)
Hispanic	9.5	6.3	7.4	7.2	8.3	7.5	9.2	9.8	9.3	(NA)	(NA)
Other	7.7	6.0	3.0	2.5	2.1	1.7	2.1	2.0	1.9	(NA)	(NA)

Source: American Humane Association, Denver, Colo., National Study on Child Neglect and Abuse Reporting, annual. Reprinted from U.S. Bureau of the Census (1991), Statistical Abstracts: 1991 Edition.

Note: In percentages, except as indicated. Total number of children reported is generally a duplicate count in that a child may be reported and therefore enumerated more than once each year. Because of differences in enumeration methods, a relatively small number of states (five to ten) can provide only unduplicated reports, whereas most states provide only duplicated counts.

NA = Not available.

single-female-headed families.[4] While perpetrators were more likely to be female and in their early thirties, victims were more likely to be preschoolers and females. These data suggest that children in welfare-dependent and/or female-headed families are not only more likely to suffer poor school performance and latter welfare dependency themselves (McLanahan and Garfinkel 1986), but are also more prone to suffer physical deprivation.

Many states augment these types of federal child-neglect data. The Illinois Department of Children and Family Services, for instance, reports statistics for both child neglect and abuse. Table 2, column 2, shows that in Illinois in fiscal year 1984, 6,989 children were indicated to have suffered economic deprivation either through inadequate food, shelter, clothing, or education. Another 12,719 children were indicated to lack supervision; of these, 750 had been abandoned. In addition, in that year, 80 percent of child-abuse and neglect offenders in Illinois were natural parents (State of Illinois, 1984).

Indeed, all states collect data and publish statistics similar to those by the Illinois Department of Children and Family Services. Table 3 displays the rate of child abuse and neglect for each state and the District of Columbia, indicating the variation across states. Whereas Missouri and Florida reported very high rates in 1986 (58.6 and 50.0 per 1,000 children, respectively), Pennsylvania and Wisconsin reported quite low rates (7.2 and 22.7 per 1,000 children, respectively). Even if the comparability of rates across states is suspect (see note 4), the table still causes one to ask: Why are there huge differentials in rates of abuse and neglect by state? Are such rates related to income maintenance programs and the characteristics of parents eligible for them?

These child-welfare statistics, state and federal, reveal that child neglect occurs in nontrivial numbers; indeed, the very fact that governments spend public funds to gather information about its occurrence, nature, victims, and offenders indicates how serious a problem parental neglect is. Moreover, states allocate substantial funds to other child-welfare concerns, such as enforcing child

TABLE 2

Child-Abuse and Neglect Reports in Illinois, by Type of Allegation: Fiscal Year 1984

Allegation	Reported Harms	Total Indicated Harms	Percentage of Reported Harms Indicated
All allegations	106,725	42,497	39.8
Abuse, total	30,879	13,250	42.9
Deaths	88	54	61.4
Physical abuse	14,961	6,818	45.6
Brain damage/skull fracture	104	39	37.5
Subdural hematoma	52	32	61.0
Internal injuries	62	40	64.5
Burns/scalding	941	193	20.5
Poison/noxious substance	21	8	38.1
Wounds	63	39	62.0
Malnutrition	90	61	67.7
Bone fractures	393	172	43.8
Excessive corporal punishment	1,709	971	56.8
Cuts/bruises/welts	11,368	5,177	45.5
Human bites	131	76	58.0
Sprains/dislocations	27	10	37.0
Emotional abuse	1,546	473	30.6
Tying/close confinement	608	169	27.8
Drug/alcohol abuse	806	246	30.5
Torture	62	31	51.6
Mental injury	70	26	37.1
Sexual abuse	7,134	4,122	57.8
Venereal disease	178	132	74.2
Sexual intercourse	2,242	1,207	53.8
Sexual exploitation	354	172	58.6
Sexual molestation	4,360	2,611	60.0
Other abuse	7,150	1,783	25.0
Neglect, total	75,846	29,247	38.6
Lack of supervision	33,031	12,719	38.5
Caretaker present	16,268	6,224	38.2
No caretaker present	14,908	5,745	38.5
Abandonment	1,855	750	40.4

(table continues)

TABLE 2 (continued)

Allegation	Reported Harms	Total Indicated Harms	Percentage of Reported Harms Indicated
Environmental neglect	22,207	6,989	31.5
Inadequate food	9,557	2,143	22.4
Inadequate shelter	7,532	2,935	39.0
Inadequate clothing	3,656	957	26.2
Educational neglect	1,462	954	65.3
Lack of health care	3,354	1,574	47.0
Medical neglect	3,084	1,390	47.1
Failure to thrive	270	194	68.0
Other neglect (not specific)	17,254	7,965	46.2

Source: State of Illinois, Department of Children and Family Services, Child Abuse and Neglect. Springfield, Illinois: 1984. Reprinted from Testa and Lawlor (1985), The State of the Child.

Note: Total harms, number of indicated harms, and percentage of total harms substantiated for specified category.

TABLE 3

Rate (per 1,000 children)[a] of Child-Abuse and Neglect Reports, by State: 1982 to 1986

State	1982	1983	1984	1985	1986
Total	20.1	23.6	27.3	30.6	32.8
Alabama	21.2	21.0	26.0	28.1	26.6
Alaska	22.6	32.4	43.5	47.3	53.6
Arizona	NA	NA	23.1	45.4	42.7
Arkansas	23.3	25.9	32.2	31.1	34.5
California	33.7	35.2	37.6	43.2	48.1
Colorado	NA	NA	15.7	15.5	15.5
Connecticut	15.5	18.6	22.8	22.2	24.5
Delaware	NA	52.7	50.9	39.0	30.8
District of Columbia	39.7	49.3	28.9	45.4	43.7
Florida	33.2	39.3	34.8	55.2	50.0
Georgia	18.6	21.7	22.2	25.7	29.1
Hawaii	10.8	11.2	13.8	14.0	16.6
Idaho	20.0	NA	35.3	39.2	41.5
Illinois	19.6	20.6	21.7	22.5	26.4
Indiana	15.5	18.2	19.2	22.5	22.9
Iowa	28.1	29.5	32.0	33.0	34.9
Kansas	29.6	32.7	35.0	35.5	37.4
Kentucky	29.2	31.5	31.8	34.3	39.1
Louisiana	28.1	38.5	44.2	31.0	41.0
Maine	28.1	38.5	44.2	31.0	41.0
Maryland	NA	13.3	7.4	17.4	16.8
Massachusetts	20.4	26.3	34.0	34.5	38.6
Michigan	32.1	34.3	36.4	38.3	38.5
Minnesota	12.6	14.4	21.1	19.4	24.6
Mississippi	NA	NA	8.7	16.4	19.8
Missouri	42.3	49.1	55.1	57.2	58.6
Montana	18.8	18.6	21.7	43.8	35.0
Nebraska	13.3	12.3	18.6	28.6	29.7
Nevada	36.1	32.0	37.6	55.9	58.0
New Hampshire	NA	NA	26.6	24.0	15.0
New Jersey	10.1	14.1	23.9	25.3	27.5
New Mexico	NA	NA	32.2	25.5	18.4
New York	NA	21.7	30.7	31.8	35.9
North Carolina	16.8	17.0	16.4	17.4	21.5
North Dakota	19.4	19.3	22.4	24.0	24.8
Ohio	NA	NA	32.9	23.0	43.3
Oklahoma	16.7	16.5	19.7	21.9	24.6
Oregon	NA	NA	23.3	41.7	46.3
Pennsylvania	5.2	5.4	6.9	7.3	7.2
Rhode Island	NA	NA	37.6	46.3	29.0
South Carolina	25.4	16.8	25.8	24.2	17.2
South Dakota	25.2	27.3	49.2	45.8	51.0

(table continues)

TABLE 3 (continued)

State	1982	1983	1984	1985	1986
Tennessee	25.8	29.7	33.0	38.2	35.6
Texas	20.2	21.4	22.4	22.6	23.7
Utah	NA	NA	24.0	27.5	29.4
Vermont	NA	18.9	22.1	27.0	27.2
Virginia	28.2	30.1	30.0	34.5	33.3
Washington	36.4	32.0	36.5	33.9	37.0
West Virginia	NA	NA	32.7	33.6	25.6
Wisconsin	6.9	7.5	13.5	19.0	22.7
Wyoming	16.3	20.3	21.9	14.5	24.0

Source: American Humane Association, American Association for Protecting Children, Inc., Highlights of Official Child Neglect and Abuse Reporting 1986 (Denver, Colo.: American Humane Association, 1988), p. 10. Table adapted by SOURCEBOOK staff. Reprinted by permission.

*Based on provisional child population estimates (ages 0 to 17) from the U.S. Bureau of the Census for each year.

labor laws, devising minimum child-care standards, and compelling parents to present neglected children to authorities.[5]

Because the majority of parents are altruistic toward their children, they seldom break child-neglect laws. As Becker and Murphy (1988) state, "Altruistic parents are good caretakers because they consider the effects of their actions on the welfare of children. They sometimes sacrifice their own consumption and comfort to increase that of children" (p. 4). Altruistic parents, like the state, have strong incentives to see that their children thrive; and so, parents invest time and resources to nurture their children. Moreover, most parents generally share the state's concern that children live in safe environments and receive an education. Hence, since parents and the state's preferences for children usually coincide, most parents are adequate agents to nurture children; they routinely comply with minimum child-care standards, so states rarely need to intervene in families on behalf of children.

The problem for the state occurs only when state and parent concerns for the welfare of children conflict. This conflict becomes apparent ex post because these parents low levels of altruism, which affect the trade-offs they make between their own consumption and their children's well-being, mean that the state's minimum standards are not met. When the state observes signs that a child is being neglected—like deprivation or lack of supervision—the state will deem that child's parents to be imperfect child-care providers. At this point, the state considers how it will protect and safeguard that child. Initially, at least, it will assess whether the parents are eligible for transfer programs designed to provide children with basic necessities. This conflict between parents and the state is shown formally in Section II below.

II. MODELING PARENTAL NEGLECT OF CHILDREN

Although nearly all parents are altruistic toward their children and care about their children's futures, some parents are more altruistic than others. Heterogeneity in parental altruism affects the trade-off all parents must make between their own consumption (and leisure) and investing in their children's human capital.[6]

For parents who are endowed with given degrees of altruism, the trade-off between their own consumption (and leisure) and the welfare of their children is formally specified by adapting Becker and Tomes's (1986) intergenerational utility function.

$$(1) \quad U_i = U(C_i, l_i) + \beta_i U_{i+1}(Y_{i+1}) \qquad where \ 0 \le \beta_i < \infty.$$

Equation (1) shows that parents receive utility from their own consumption and leisure, as well as from the future welfare of their children (U_{i+1}).[7] The degree to which parents internalize children's welfare (i.e., their degree of altruism) is represented by the parameter ß.[8] More-altruistic parents (those with high ß values) will give up a lot of consumption now for their children's future welfare. Hence they prefer to allocate relatively more family resources to children's consumption even at a high cost of their foregone money and leisure. Because these parents spend relatively more income on child inputs than what society minimally requires, their children are not regarded as neglected.

Alternatively, negligent parents (those with very low ß values) will give up little of their current leisure or consumption to raise children. The level of their utility is heavily determined by their preference for their own leisure and consumption. They may still comply with child-neglect statutes, but prefer to allocate relatively fewer family resources to children's consumption so that they can spend more relatively on themselves. These parents may heavily discount the returns to investing

in children's future welfare and may believe that when children reach adulthood, they should "fend for themselves." In one sense, some behavioral scientists will label this as deviant behavior. My argument is different, however. I claim that such parental behavior is an outcome of parental preferences. Even if such parental behavior is considered deviant, the point here is how the state induces parents to change their behavior toward their children who are deprived of basic wants. Providing that less-altruistic parents' level of inputs for children's basic needs meets minimum child-neglect standards, society will still consider these parents adequate. State welfare agencies will not intervene directly.[9]

But the state does have a prima facie reason to protect the future welfare of neglected children, whose parents possess low degrees of altruism. Figure 1 portrays three parents, A, B, and C, who have the same income level but possess varying degrees of altruism. Assume that income level I is the minimum level which allows parents (with normal preferences) to meet society's child-neglect standards. Hence, income level I may be interpreted as society's "poverty line," and the minimum standard "S" is based on inputs that prevent children from neglect.

In Figure 1, parent C is extremely altruistic, sacrificing a lot of own consumption to spend income on the child. Given income level I, point "c" is chosen by parent C. This parent gives up enough own consumption so that the child's welfare is guaranteed beyond society's minimum standards against child neglect. The case of parent C demonstrates that when parents greatly care about their children's welfare, even if they are poor, child-neglect laws are inconsequential. Parent B, whose opportunity set is the same as parents A and C, is also non-neglectful and chooses point "b" in Figure 1. Parent B's preferences lead to the minimum bundle of parental consumption and child inputs which meets society's minimum standards.

Figure 1
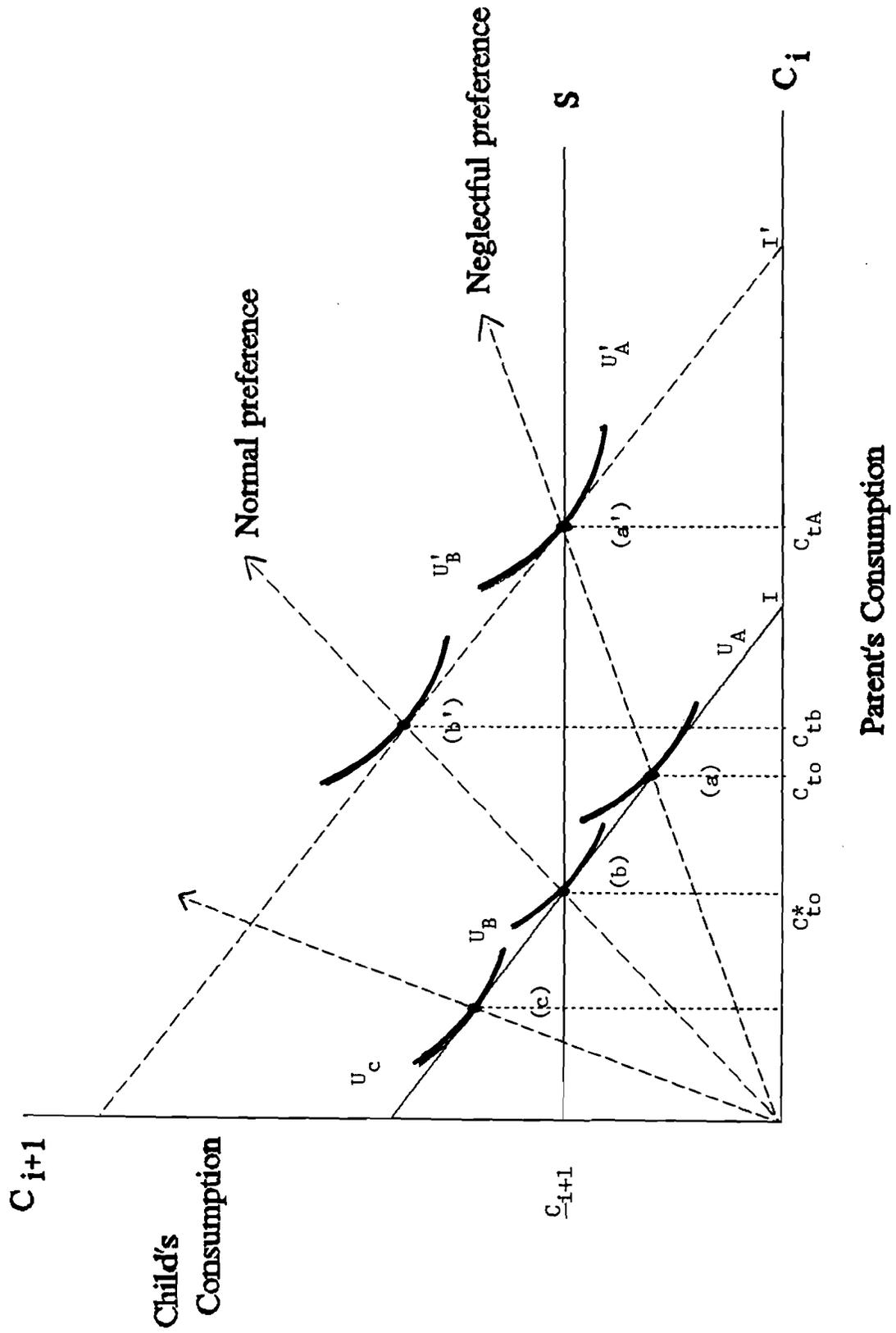
However, the least altruistic parent, parent A, exhibits neglectful behavior by choosing point "a" in Figure 1. At point "a," society considers the child neglected because at income level I, parent A does not allocate sufficient income to child inputs.

Neglectful parents are assumed to have lower marginal propensities to spend on children's welfare. Neglectful parent A, who prefers an extra hour spent on his own consumption than on his children's consumption, will allocate only a proportion of any welfare agency's cash transfers to the child. If society is committed to children's well-being, it will give neglectful parent A a cash subsidy equal to $I'-I$ to ensure that the child has enough inputs to protect him from neglect. With $I'-I$ additional income, neglectful parent A will choose point "a'" on indifference curve U_A'. Child A's level of inputs will have increased enough to ensure he is no longer neglected. Meanwhile, the value of parent A's increased consumption is equal to $C_{1A}-C_{to}$.

But if parent A had been more altruistic, the state would not have had to provide as large an incentive to induce him to provide sufficient child inputs. Indeed, the state can provide smaller monetary incentives to any set of neglectful parents whose indifference curves are tangent to constraint "I'" on the line segment between point "a" and point "b." These parents are less negligent of (more altruistic toward) their children. Indeed, if parent B received the same cash transfer as parent A, and parent B moves to indifference curve U_B', the amount parent B appropriates for his own consumption ($C_{1B}-C_{to}^*$) is less than what parent A takes for his own consumption.

Figure 1's analysis assumes that parents' incomes are equivalent. Across the income distribution, however, there will be some high-income parents who will have sufficiently low degrees of altruism that they will fail to comply with child-neglect laws. Given that these high-income parents have adequate income to meet children's physical needs, the nature of their neglect may be more psychological in nature.

Figure 2 shows the case in which parents D and E have the same low degrees of altruism, but parent D has a higher income. Their respective indifference curves are U_E and U_D. They currently consume out to C_{OE} and C_{OD}, respectively. Without state intervention, the children of both parents will have consumption below subsistence level C_{i+1} at C^d_{i+1} and C^e_{i+1}. Parent D wants an income transfer equal to $C_{id}-C_{OD}$ in order to raise the child's consumption to C_{i+1}. Figure 2 suggests that the effectiveness and amount of cash transfers needed to increase child inputs will depend upon the degree of parental altruism and also the parent's income.[10]

Figures 1 and 2 suggest that low degrees of parental altruism inhibit state authorities' abilities to use cash transfers to fully compensate children for their parents' neglectful behavior. When parents with equivalent incomes are not perfectly altruistic and contravene child-neglect laws, the less-altruistic parents will demand more monetary compensation before they are willing to provide increased inputs for children. In addition, when parents have the same low degrees of altruism but have different income levels, those parents with higher income levels will need less pecuniary gain before they are willing to guarantee children's higher consumption.

Furthermore, when neglectful parents' marginal propensities to spend on children are extremely low, society has a control problem similar to its problem with noncustodial parents (Weiss and Willis 1985). The state has difficulty monitoring the allocation of negligent parents' (the custodians) expenditures on children and is left with trying to police these neglectful parents' allocations of cash transfers between their own consumption and their children's future welfare. Because income transfers to neglectful parents are prohibitively costly, and the allocation of these transfers between child investments and parental consumption is impossible to efficiently monitor, the state must rely on alternative policy instruments to safeguard children's welfare. It has to revert to using in-kind transfers and monitoring activities (such as visits by child-welfare authorities) to reduce the probability that children's well-being is neglected.

Figure 2

Both parents are neglectful
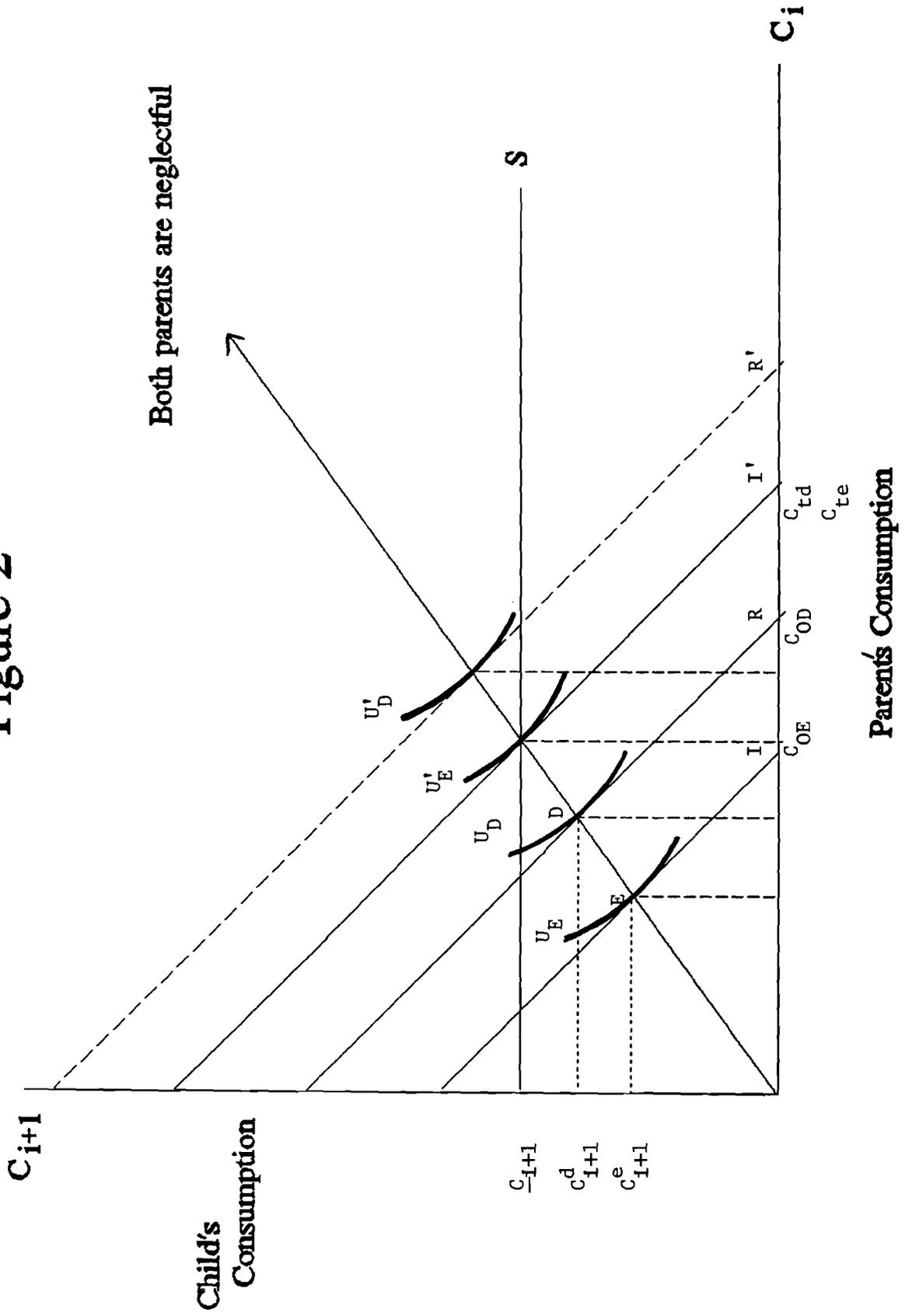
The state's agency problem and its reliance on in-kind transfers and monitoring activities is graphically portrayed in Figure 3. Figure 3 suggests how in cases of extreme parental neglect, welfare agencies are inherently limited in efficiently supporting needy children. Assume that parents A and B are again both constrained by income level I. They possess different degrees of altruism and as such have indifference curves U_A and U_B, respectively. Both parents presently allocate relatively little time and few resources to their child's consumption. But state authorities at least consider that parent B at point "n" neglects the child's consumption less than parent A neglects his own child's consumption. In fact, parent A's chosen point "m" indicates that so few child inputs are provided that the child is very maltreated. Assume that parent B wants an income transfer equal to $C_{tb}-C_{ob}$ in order to raise the child's consumption to C_{i+1}. But parent A, who is also poor, is even less altruistic than neglectful parent B. As parent A has an even lower marginal propensity to spend on the child, he wants a larger transfer, equal to $C_{ta}-C_{oa}$ in order to raise the child's consumption to an adequate level. Parent A's lower marginal propensity to spend on the child causes the government to have to provide him with higher income transfers than those given to parent B, if parent A's child is to have consumption comparable to parent B's child.

Given parent A's low marginal propensity to spend income on the child, a state income transfer to the parent to induce him to modify his behavior would be prohibitively costly. Society would have to offer a monetary incentive to the parent equal to cash amount $C_{ta}-C_{oa}$ to enable the child to achieve minimum consumption level C_{i+1}. Moreover, costly monitoring would still be needed to protect the child from parental neglect.

As in-kind transfers tie to varying degrees parental consumption to investments in children's future welfare, using them instead of income transfers would reduce the state's agency problem by allowing it to more effectively monitor how well a parent provides for the child. Through in-kind transfers and direct state monitoring of needy children, society can generally reduce the probability

Figure 3
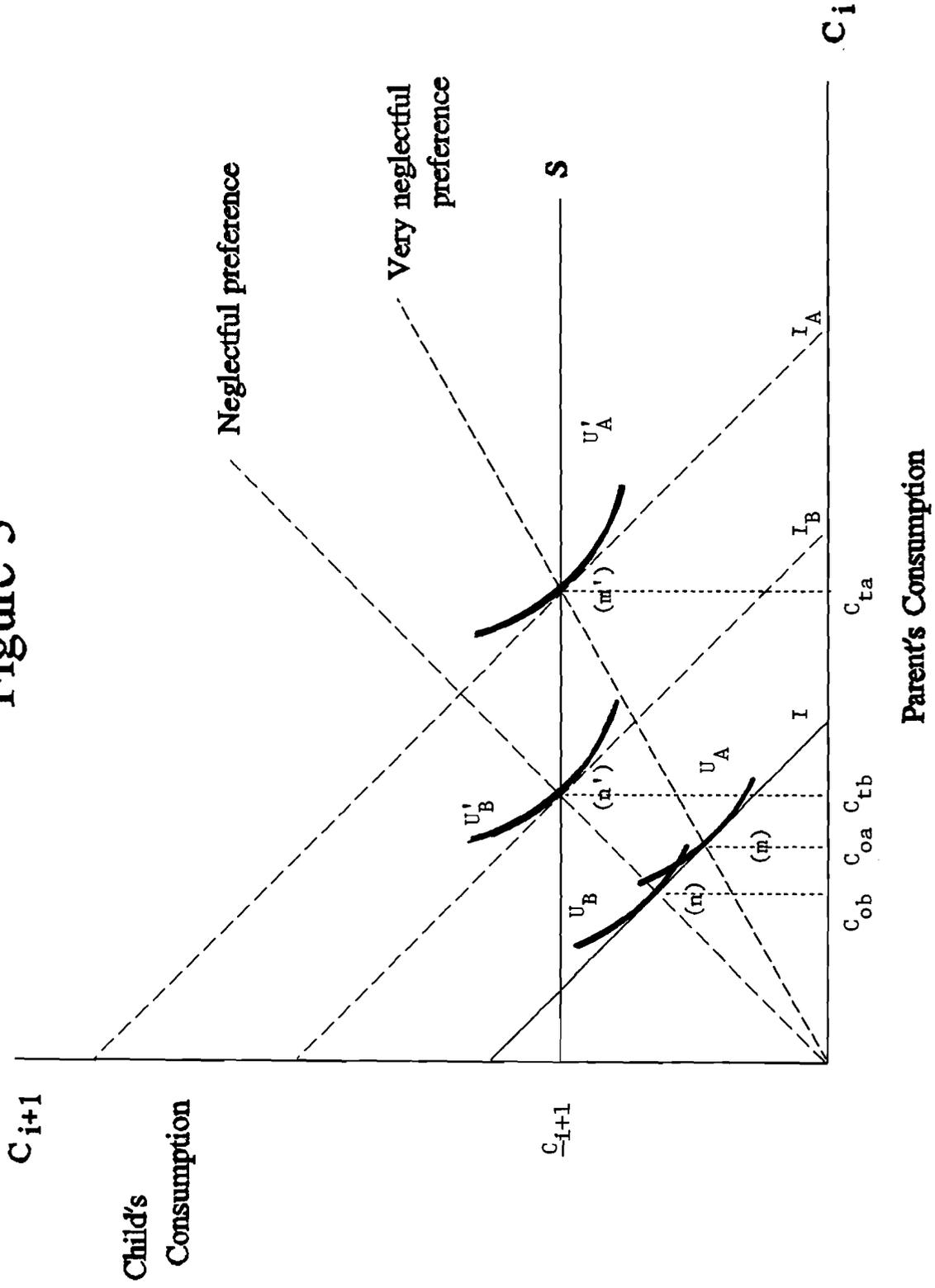
that children are neglected by parents whom society labels as imperfect agents to rear children. Yet some parents with extremely low β values may force child-welfare authorities to threaten punishments, such as fines, jail terms, or annulment of parental rights, to induce them to comply with child-care standards. In other words, the state may find that regulatory measures are necessary when pecuniary inducements, in-kind transfers, and monitoring of neglectful parents' care of children prove too costly.

Indeed, it may be more efficient to rescind parental rights and place children elsewhere than to expend resources on monitoring children in neglectful parents' households. From the state's perspective, the price it would have to pay otherwise-negligent parents to provide adequately for their children is too high, relative to the price it would have to pay more-altruistic parents. Whether the children are placed with foster parents or in group homes, the cost of either child-care alternative is lower than the amount of income transfers abusive parents will need before they properly care for their children.

When society places children in surrogate homes with more-altruistic caregivers, the parent is unambiguously worse off. Society, however, acts on the assumption that the aggregated gains--gained children's consumption, diminished social costs, and saved monitoring costs--outweigh losses in parental utility.

Moreover, as Figures 1 and 3 indicate, society could even place children with adults who are much more altruistic than the natural parent, but who have equivalent, low levels of income. For example, many foster parents who care for abused children are themselves AFDC recipients or low-wage earners.[11]

Neglectful parenting demonstrates that when parental and state preferences for children conflict, and society deems parents as imperfect agents, state institutions have to protect children's welfare. However, parents' altruistic endowments predetermine welfare agencies' child-monitoring

activities. In the case of lowly altruistic parents, welfare agencies have to threaten punishment to induce these parents to ensure children's safety and to avoid costly monitoring.

III. CONCLUSIONS

If parents' preferences for their own children's welfare are allowed to vary, then it becomes clear that a theory of state involvement in families does not have to rest solely on the state's desire to bolster parental decisions. Instead, the state intervenes on behalf of children and then faces a classic principal-agent problem. These basic insights are important because they provide a rationale for why the state is observed to intervene in families not on behalf of parents, which was the focus of Becker and Murphy's (1988) paper, but on behalf of children.

There are caveats to this theory, however. First, the issue of what goods are public and what goods are private within households and how types of goods are distributed is not discussed. Yet, as Lazear and Michael (1988) emphasize, how public and private goods are allocated within households is important for assessing the welfare of family members. Second, the positive externalities such as subsidized child care that families consume when they receive in-kind transfers are not incorporated into this theory. And third, any malfeasance by enforcers of child-care standards or by alternative caregivers, or any opportunistic behavior by children, is put aside.[12] Complicating the theory with these concerns would still not change the basic insight: the nature and level of state intrusion in the affairs of families depends upon the alignment of parental and state preferences for children.

This theory has several testable implications. It suggests that income maintenance policies can change parenting behavior and reduce the risks to children in poor families. Hence, the incidence of child neglect, especially physical deprivation and lack of supervision, should be reduced by increases in cash subsidies to parents who lack altruism for their children. Future empirical work will investigate whether variations across states in income maintenance levels are correlated with the

incidence of child neglect. Furthermore, in states with high levels of child neglect, in-kind transfers and surrogate parenting arrangements, such as foster homes and group facilities, should be provided more so than income maintenance programs.

Also, the analysis suggests that states' child-care regulations and minimum standards, and the demand for "family regulators" to enforce the laws, are tied to the heterogeneity of parenting in each state. Depending upon the distribution of income, states with high rates of child neglect (that is, private child-rearing efforts have failed) should possess more child-welfare lobbies and other interest groups committed to identifying and serving neglected children. Indeed, states with high rates of child neglect, such that the cost of monitoring is prohibitive, should impose severer penalties, like termination of parental rights, and have "family regulators," like social workers.

There are no better substitutes for children than their biological parents. But there are a sizable minority of parents whose child-rearing choices lead the state to act in locus parentis. How a democratic state juggles the dual roles of protecting children and enforcing parental decisions is a formidable challenge.

Appendix

For a parent who is endowed with a given degree of altruism, the trade-off between their own consumption (and leisure) and the welfare of their children can be more formally presented by adapting the Becker and Tomes' (1986) intergenerational utility function.

Parents receive utility from their own consumption, C, and leisure, ℓ, as well as from the future welfare of their children, U_{i+1}.

In addition, assume that the child's adult utility depends on their adult wealth, Y_{i+1}. For simplicity, the child's adult wealth is a function of the time parents invested in the child's human capital (Becker 1981). So,

(A.1) $U_{i+1} = U(Y_{i+1})$, where

(A.2) $Y_{i+1} = H(t_i)$ and hence indirectly,

(A.3) $U_{i+1} = U[H(t_i)]$.

Given the child's utility function and the previous discussion about how varying parental altruism impacts child quality, the parents' utility function can be specified as

(A.4) $U_i = U(C_i, \ell_i) + \beta_i U_{i+1}(Y_{i+1})$, where $0 \le \beta_i \le 1$.

The parent has to satisfy two budget constraints. First, parents are assumed to allocate their time between time spent in the labor force, L, time spent in leisure activities, ℓ, and time spent producing the child's human capital, t:

(A.5) $L_i + \ell_i + t_i = 1$.

Second, the parent's own consumption is limited by their labor market earnings and non-wage income:

(A.6) $Y_i = w_i L_i + V_i = C_i$,

where V_i is non-wage income and w_i is the wage rate. Again $_i$ defines the $_i$th cohort within a family.

By substitution and by rearranging, equation A.4 can be specified as

(A.7) $U_i = U(w_iL_i + V_i, 1-L_i - t_i) + \beta_iU_{i+1}[H(t_i)]$.

The altruistic parent's utility function (A.7) attempts to capture the degree to which the parent

trades off between time in the labor force and time spent raising the child. The parent maximizes the

utility function over L_i and t_i:

$$\text{Max } U_i = U(w_il_i + V_i, \ell_i - L_i - t_i) + \beta_iU_{i+1}[H(t_i)]$$
$$\{L,t_i\},$$

and the resulting first-order conditions are

(A.8) $U_{L_i} = U_1w_i - U_2 = 0$ and

(A.9) $U_{t_i} = -U_2 + \beta_iU_{H_{i+1}} H' = 0$.

By substituting for U_2 in (A.9), the equilibrium conditions imply that

(A.10) $-U_1w_i + \beta_iU_HH' = 0$ or,

(A.11) $\beta_i = U_1w_i/U_HH'$.

The important point underscored by this analysis is that altruistic parents trade the relative

benefits of working for the relative benefits of parenting: they work less and leave time to spend with

their children while still earning enough to provide for their children, instead of working more and

leaving no time to spend with their children.

Notes

[1]States intervene in families on behalf of parents in requiring adolescents to reach a certain age before they can drive, for instance.

[2]This "agency problem" of the state resembles the problem that noncustodial fathers have in influencing the welfare of their children: they can act only indirectly, through their former wives (Weiss and Willis 1985).

[3]It is important to note that these data are affected by improvements in state reporting mechanisms, changes in reporting requirements, and growing awareness of child abuse among citizens. Moreover, these numbers cannot distinguish between multiple reports for a child and single reports for all children within a family.

[4]Again, it must be noted that a child may be enumerated more than once in a year.

[5]This last activity has already been found constitutional by the Supreme Court; see the Chicago Tribune editorial, "Right decision on child abuse," February 23, 1990.

[6]Lazear and Michael (1988) cite the example of Leopold Mozart, who made a great sacrifice for the education of Wolfgang. Leopold allocated family resources unevenly so that his son could pursue a career in music.

[7]The appendix discusses this functional form and derives the first-order necessary conditions. The importance of ß to these marginal conditions is apparent.

[8]The parameter ß is constrained between zero and positive infinity. It seems unlikely to observe parents who are sadistic (i.e., have negative ß values). Yet, some parents may make sacrifices that make their children better off; if so, they will have ß values greater than 1.0.

[9]Less-altruistic parents may spend little on child quality because they raise their children according to the ethic that to "spare the rod is to spoil the child." These parents prefer to provide

children with capital inputs to perform weekly house cleaning chores rather than buy summer camps or music lessons.

[10]Parental misrepresentation of their level of altruism to state authorities could also affect effectiveness.

[11]Foster care has been called the blue-collar worker's contribution to America's destitute children. (Source unknown.)

[12]See Becker and Stigler (1974).

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