The economics of discrimination: Part 1

by Glen G. Cain

Glen G. Cain, a research associate of the Institute and a member of the Economics Department of the University of Wisconsin, is preparing a book on work in the United States and a survey paper on economic discrimination. In this first part of a two-part series on the subject, the economic concepts of discrimination are discussed and several tables of statistical indicators of discrimination are presented. Part 2, to appear in a future issue of *Focus*, will cover economic theories of discrimination, a survey of econometric research, and the implications of both for policy analysis.

Economic discrimination has long been recognized as a cause of income inequality among families and of wage inequality among workers. Discrimination in the labor market has been a particular concern because labor earnings are by far the most important source of the income that people can obtain from their own resources.

We can view income as an index for a more comprehensive measure of economic well-being, which would include nonpecuniary aspects of one's work and the consumption of nonmarketed goods and services, such as leisure. In this article particular attention will be given to comparisons between whites and blacks and between men and women regarding economic well-being.

The topic of discrimination, because of its relation to inequality and poverty, has been a persistent theme in the research activities of the Institute since its founding, and current attention to the topic is timely. In the midst of the debates about discrimination — affirmative action, comparable worth, women's rights, the recent increase in poverty among children, blacks, people of Spanish origin, and women[1] — and after decades of economic research on discrimination, there is a need to clarify how economic research can and cannot assist policy analysis. To this end I believe that the economic theories of discrimination and the econometric research are oversold, but that the guidance from economics for better conceptualization and measurement of economic discrimination is undersold.[2]

Definitions and measurements

There are two broad definitions of economic discrimination. First, economic discrimination may be defined as long-lasting inequality in economic well-being among individuals based on their color, gender, or ethnic ties. Second, economic discrimination is also defined as differences in pay or wage rates for equally productive groups. These definitions represent theoretical abstractions as written, because "economic well-being" and "equally productive" are not readily measurable. Nevertheless, we can begin to assess the magnitude of the problem of discrimination with the careful use of statistics on, initially, income and earnings, and, later, time spent at work and leisure.

Income inequality

The first definition permits a simple measure of economic discrimination as the mean differences in household, family, or personal income, on the assumption that annual money income is a useful indicator of economic well-being. (Adjustments to the statistics on money income will be added below.)

Some comparisons of income differences in 1981 among white,[3] black, and Hispanic households (residents of a housing unit) and families (two or more related persons living together) in the United States are shown in Table 1. They reveal, for example, that the average income of a black household, $14,900, is 63 percent of that of a white household, which is $23,700. On a per-person basis, the ratio is only 56 percent, which reflects the fact that black households are slightly larger: 2.99 persons per household compared to 2.67 among whites.[4]

The following points highlight and supplement the figures in the table.

- Blacks and Hispanics constitute about 17 percent of the U.S. population. Along with other smaller minority groups, such as American Indians and certain Asian immigrant groups, about 20 percent of the U.S. population may be classified into ethnic minority groups that face economic discrimination.

- The ratios of black-to-white and Hispanic-to-white incomes tend to be around .6 or .7, but the table also shows, with some additional calculations, that the average income per member of a black family headed by a woman is only 32 percent of the average income per member of a white married-couple family. (Using column 2, row 6, and column 1, row 4, we obtain 2.8/8.8 = .32.) This is a large difference.

Table 1
Mean Annual Incomes and Income Ratios of White, Black, and Hispanic Households and Families, United States, 1981

| Demographic Unit | Mean Annual Income ($000's) and Black/White and Hispanic/White Ratios[a] | | | | |
	White (1)	Black (2)	Black/ White (3)	Hispanic (4)	Hispanic/ White (5)
1. Households[b]	$23.7	$14.9	.63	$18.4	.77
2. (per member)[c]	8.9	5.0	.56	5.3	.59
3. Married-couple families[d]	28.7	21.9	.76	22.1	.77
4. (per member)	8.8	5.8	.66	5.4	.62
5. Female-headed families[e]	15.3	9.8	.61	10.8	.70
6. (per member)	5.4	2.8	.52	3.1	.58
Families with primary earner working "full time"[f]:					
7. Married-couple families[g]	30.5	25.9	.85	22.3	.73
8. Female-headed families[g]	18.0	13.4	.74	15.9	.88

Source: U.S. Bureau of the Census, Current Population Reports, Series P-60, No. 137, *Money Income of Households, Families, and Persons in the United States: 1981* (Washington, D.C.: U.S. GPO, 1983), Tables 4, 13, and 19.

[a] Incomes are rounded to the nearest hundred, but the ratios are based on unrounded incomes. For example, the original mean household incomes for whites and blacks in the first row are $23,742 and $14,856.

[b] Households consist of all persons who live together in a housing unit and include one-person households.

[c] Mean annual income per member is household income divided by the average size of the household. For example, for white households: $23,742/2.67 = $8,892, which, rounded and expressed in thousands of dollars, is 8.9.

[d] The Census Bureau defines a family as two or more persons related by blood, marriage, or adoption, and residing together. In this table, married-couple families do not include a relatively small number of families in which the wife is listed as the owner of the housing unit, which is the definition of the term "householder" that appears in the Census tables.

[e] Does not include a relatively small number of female-headed families with a husband present.

[f] "Full time" refers to year-round, full time, which is defined as working 50-52 weeks for 35 or more hours per week in 1981.

[g] Median incomes are listed instead of mean incomes, which are not reported.

Table 2
Sources of Inequality in Economic Well-Being, Illustrated with a
Comparison of Black and White Families in the United States

	Judgment as to Whether Accounting for the Source Would Widen or Narrow the Conventional Black-White Income Gap (No adjustment needed, N.A., implies that the conventional ratio already allows for the source)
Income Receipts	
Asset ownership	
Property (income-earning)	N.A.
Property (non-income-earning: car, owner-occupied house, etc.)	Widens gap (blacks have less wealth in these types of durable goods)
Human capital (wage earnings)	N.A.
Human capital (fringe benefits and nonpecuniary aspects of work)	Widens gap[a]
Defined for "household" as unit	
Adjust for family or household size	Widens gap (unless the comparison is already "per member")[b]
Adjust for multiple earners to allow for "leisure" consumption	Narrows gap (whites have 1.65 earners per family; blacks, 1.47)[c]
Allowance for government taxes, transfers, and survey bias	
Taxes	Narrows gap slightly (reflecting the moderate degree of progressivity in the tax system)
Money transfer payments	N.A.
Nonmonetary transfer payments to nonaged persons (Food Stamps, public housing, Medicaid)	Narrows gap (about 25% of black and 8% of white families receive these forms of noncash transfers)[d]
Nonmonetary transfer payments to aged persons (medical care subsidies and various tax advantages for the aged)	Widens gap[e]
Nonmonetary public benefits (parks, police service, etc.)	Widens gap[f]
Nonreported income	?
Expenditures	
Discriminatory pricing — housing, capital markets, consumer credit, etc.	Widens gap[f]
Expenditures on "regrettables" — items that do not directly produce utility, such as health maintenance, transportation to work, "waiting times"	Widens gap[f, g]

[a]Fringe benefits are generally larger for jobs with higher wages and salaries. For evidence that blacks have, on average, jobs with less prestige and less pleasant working conditions, see R. E. B. Lucas, "The Distribution of Job Characteristics," *Review of Economics and Statistics, 56* (November 1974), 530–540.
[b]See Table 1.
[c]Source: Table 29 in source cited in Table 1.
[d]Source: U.S. Bureau of the Census, Current Population Reports, Series P-60, No. 136, *Characteristics of Households and Persons Receiving Selected Noncash Benefits, 1981* (Washington, D.C.: U.S. GPO, 1983), p. 3.
[e]Medical care subsidies are derived primarily from the Social Security system, and white persons benefit disproportionately for two reasons: (1) eligibility and payments tend to be positively related to earnings during preretirement years; (2) whites live longer. The tax advantages of the aged are generally greater for higher-income persons among the aged.
[f]A personal judgment.
[g]For a definition and application of the concept of "regrettable" expenditures, see W. N. Nordhaus and J. Tobin, *Is Growth Obsolete?* (New York: National Bureau of Economic Research 50th Anniversary Colloquium, Columbia University Press, 1972).

• Poverty status for families in 1981 was officially defined to be an annual income of $9300 or less for a family of four and of $7300 or less for a family of three. Thus, a substantial proportion of black and Hispanic families headed by women are poor, whereas only a small proportion of black and Hispanic married-couple families are poor. For most minority-group families, therefore, discrimination regarding income is not so much a problem of poverty as it is of inequality — their incomes relative to the incomes of the white majority group.

• One reason why black and Hispanic incomes are lower is the larger fraction of families headed by women among these minority groups, and if both headship status and the presence of a full-time worker as primary earner are held constant, the income ratios rise to around .8. Marital instability and slack labor markets thus appear to be important sources of income inequality among ethnic groups in the United States. In 1981 12 percent of white families were headed by women. The comparable numbers for Hispanics and blacks were 23 percent and 41 percent.[5]

What adjustments to the available statistics for money income that are shown in Table 1 are required to measure relative economic well-being more completely? No fully satisfactory answer is available, but most of the issues that lend themselves to quantification or informed judgments are listed in Table 2. In the table the sources of inequality and the accompanying adjustments are separated into those pertaining to income receipts and those pertaining to expenditures. In measuring income receipts there are further distinctions among the issues of (a) the proper measures of income from a household's assets (or wealth components); (b) the appropriate demographic unit of analysis; (c) allowances for government taxes and subsidies; and (d) allowances for survey biases. Although one message from Table 2 is that the concept of economic well-being is complicated, it is fair to conclude that the money measures in Table 1 understate the true degree of inequality between blacks and whites, and, by extension, between majority and minority ethnic groups generally. Seven of the ten required adjustments serve to widen the gap.

Table 1 shows a static picture of income differences, and it is essential in an analysis of discrimination to describe how these differences have changed over time. The time-series data are, unfortunately, incomplete in several respects. Income statistics prior to 1940 are scanty. The Census Bureau's time series of annual family income begins in 1947, and separate income statistics for blacks begin in 1967 and for Hispanics in 1972.

The income ratios are relatively stable year by year (not shown), but the change over decades is notable. To summarize the trends, roughly 10-year averages of the annual ratios of minority-to-majority incomes for the period since 1947 are shown in Table 3. The ratios of nonwhite-to-white

Table 3
Time Series of Median Family Income Ratios:
Black-and-Other Nonwhite Races/White; Black/White; and
Hispanic/White; Annual Averages for Five Periods,
1939–82

Year or Period[a]	Black-and-Other Races/White[b]	Black/White[c]	Hispanic/White[d]
1939	.37	—	—
1947–56	.54	—	—
1957–66	.54	—	—
1967–76	.63	.61	.69[d]
1977–82	.62	.57	.68

Sources: U.S. Bureau of the Census, Current Population Reports, Series P-60, Nos. 43, 137, and 140, published in 1964, 1983, and 1983 respectively. No. 137 (full citation in Table 1), p. 39, gives the family income figures for 1947–81.

[a]The years 1947–82 are divided into four periods, and the average of the annual ratios are reported for each period. The first year for the continuous time series of annual incomes is 1947 (see sources).

[b]The category black-and-other nonwhite races is more than 90 percent black for most of the period, and is the only category continuously available for the earlier years. Except for the recent decade or so, the trends in the ratios for nonwhites and for blacks appeared very similar, based on the scattered evidence available. In recent years, however, the proportion of blacks among the nonwhite races has declined. Also, the proportion of families headed by a woman among blacks has risen most sharply during the last ten years or so, and this has tended to make the family income statistics for blacks diverge from those of other nonwhite races.

[c]The first year in which blacks are reported separately is 1967.

[d]Family incomes of Hispanics (persons of Spanish origin) were first reported in the annual series in 1972; therefore, the period for the Hispanic/White ratio is 1972–76.

family income rose from .37 in 1939, when most blacks lived in the low-income Southern region and on farms, up to .6 or more in the middle 1960s, when the ratio more or less stabilized. Since then it has been held down by the increasing proportion of black female-headed families and, probably, by the relatively high unemployment levels from 1975 on. Whatever the reason, progress regarding the first type of economic discrimination, family income differences — and, by implication, differences in economic well-being — has been painfully slow.

Earnings inequality

In Table 4 the earnings of workers instead of the incomes of families are shown. If earnings measure the economic well-being of workers, the table shows economic discrimination by the first definition specified above. According to the second definition, based on wage rates, Table 4 would provide

Table 4
Mean Earnings and Earnings Ratios of All Workers and of Year-Round,
Full-Time Workers for Men and Women; Whites, Blacks,
and Hispanics, United States, 1981

	Mean Annual Earnings ($000's) and Black/White and Hispanic/White ratios[a]				
	White	Black	Black/ White	Hispanic	Hispanic/ White
All workers					
Men	$17.5	$11.6	.67	$12.5	.72
Women	8.3	8.0	.97	7.5	.90
Women/men earnings ratio	.48	.69		.59	
Year-round, full-time workers[b]					
Men	22.8	15.7	.69	16.5	.72
Women	13.3	12.0	.90	11.5	.87
Women/men earnings ratio	.58	.76		.70	

Source: Table 55 in source cited in Table 1.

[a]Earnings are rounded to the nearest hundred, but the ratios are based on the unrounded earnings. For example, the earnings for whites and blacks in the fourth row are $22,791 and $15,660, respectively. The use of median earnings, which are about 8 percent lower, would not much change the comparisons.
[b]A year-round, full-time worker is one who works (or is paid for) 50-52 weeks and 35 or more hours per week.

a measure only if we considered the worker groups — three ethnic groups and two gender groups — to be equally productive.

In Table 4 ratios ranging from .5 to .7 characterize most of the comparisons between minority men and white men and between women and men within each ethnic group. However, minority women earn around 90 percent of the earnings of white women. The earnings ratios of women to men and of black men to white men are smaller for "all workers" than for "year-round, full-time workers" (hereafter, "full time"), because women and black men are less likely to work full time. The proportion of white men who were full-time workers in 1981 was .65, which is somewhat higher than the proportion for blacks, .58, or Hispanics, .61. More young workers and higher unemployment among these minority groups are two sources of these lower figures. The corresponding proportions for white, black, and Hispanic women are .44, .49, and .45, respectively.[6]

Clearly, the ratios for full-time workers are closer to the ratios of hourly wage rates, because the all-worker variation in hours worked in the definition of earnings — hours worked times the average wage per hour — is nearly equalized. Among working women, minority women are more likely to be full-time workers, so the ratios of minority women's earnings to white women's earnings are higher in the all-worker group (row 2 compared to row 4).

The time series of earnings ratios for full-time workers, which is shown in Table 5, is useful because among the available measures it comes closest to providing a comprehensive comparison between minority and majority workers of the trend in the relative price (wage) of labor services.

For this interpretation, one must assume that the full-time workers remain about the same fraction of the total population of workers, or that deviations represent (a) voluntary shifts to part-time work, and (b) no systematic selection regarding workers' productivity traits in the changing distribution of part- and full-time workers. A change in age composition could change the distribution, and, ideally, one would want to hold constant an exogenous trait like age when constructing the time series. Assuming that any group differences in these compositional shifts are minor, the trends in Table 5 show gains over time in the earnings ratios for black women relative to black men (column 2), black men relative to white men (column 4), and black women relative to white women (column 5). The earnings ratio of white women to white men (column 1) has been remarkably stable at around .6 over this 43-year span. The ratios for Hispanics (columns 3 and 6-7) are for too brief a period to measure a trend.

Further analysis of these trends will be discussed in Part 2, but the following several points may be helpful and are non-controversial.

1. The ratios generally are still so far short of unity in 1975-82 that "slow progress" is a fair and regrettable assessment. The exception is the remarkable rise to near-equality for black and white women, despite the fact that this ratio was the lowest in 1939. This rise is partly explained by the huge exodus of black women from domestic service, one of the lowest-paid occupations, and the migration of blacks generally from the low-income rural sector of the South to urban places. Earnings of domestic servants were understated in 1939 because of the receipt of income-in-kind payments (meals, sometimes lodging, and so on).

Table 5
Time-Series of Ratios of Median Earnings for Year-Round,
Full-Time Workers, Gender and Ethnicity Comparisons,
Annual Averages for Four Periods, 1939-82

Years of Period[a]	Women/Men Earnings Ratio (by Ethnicity)			Black/White Earnings Ratio		Hispanic/White Earnings Ratio	
	White (1)	Black (2)	Hispanic (3)	Men (4)	Women (5)	Men (6)	Women (7)
1939[b]	.61	.51	—	.45	.38	—	—
1955-66[b]	.61	.61	—	.62	.65	—	—
1967-74[c]	.58	.70	—	.68	.83	—	—
1975-82[d]	.59	.76	.70	.73	.94	.72	.86

Sources: Various years for the P-60 Series of the Current Population Reports. See Table 1 for a full citation in the series.
[a]The years 1955-82 are divided into three periods, and the average of the annual ratios are reported for each period. The first year for the continuous time series of earnings for year-round, full-time workers is 1955, but the 1940 census provides this figure for 1939.
[b]Ratios are for wage and salary earnings (excludes self-employed workers) for whites and nonwhites, who are defined as blacks and other nonwhite races in later Census publications.
[c]Ratios are for all earnings (includes self-employed workers and self-employment income) for whites and blacks. The first year for which blacks are reported separately is 1967. The black/white earnings ratios for men are, on average, about .01 lower than the nonwhite/white earnings ratios for men. Thus, we may surmise that the black/white earnings ratio for 1955-66 would be approximately .61 instead of .62. The black/white earnings ratios for women are, on average, about .02 lower than the nonwhite/white earnings ratios. Thus, we may surmise that the black/white earnings ratio for 1955-66 would be approximately .63 instead of .65. The trends in both ratios, black/white and nonwhite/white, are virtually the same.
[d]Same as c; also, 1975 is the first year in which earnings are reported separately for Hispanic workers.

2. Another probable reason that black earnings were particularly low in 1939 is the high rate of unemployment then and throughout the 1930s. Black earnings rose sharply in World War II (1941–45). The rate of increase in the men's black-to-white ratio has been slow but steady since the mid-1950s.

3. Blacks made relative gains between 1940 and 1960 in educational attainment and, probably, in other pre-labor-market investments in human capital, such as health and access to better jobs by migration. In the 1960s and 1970s there were further gains in relative educational attainment and also in antidiscrimination legal activities.

4. The stable ratio of women's earnings to men's earnings among whites is, to some extent, a product of two conflicting trends: (a) more participation in the labor force by women, and, associated with this, more accumulated work experience and advancement into higher occupations; (b) increasing numbers of women are new entrants or reentrants into the labor force, and their years of experience are less than the average years of experience of the existing stock of women workers. These trends contrast with the relative stability of the age-adjusted trend in experience of men over this period. Thus, (a) exerts a compositional effect that raises the ratio of women's earnings to men's, while (b) has the opposite effect.

The descriptive statistics presented in Tables 1–5 have shown two manifestations or definitions of economic dis-

crimination, one dealing with incomes and another with wage rates, for three types of groups affected by discrimination: women, blacks, and Hispanics. The economic disparities are large and have persisted over time. Do these disparities indicate the presence and persistence of different wage rates for groups of workers for whom the assumption of equal productivity — or, alternatively, equal productive capacity — is maintained? The answer is yes. It is an answer that has challenged economists for many years, because in a competitive economy workers who are equally productive should receive the same wages (on average). The challenge will be taken up in Part 2. The remainder of this article deals with the conceptual problems of, first, measuring productivity differences in labor, and, second, accounting for the differences between men and women in the allocation of their labor to the home and market sectors of the economy.

Conceptual problems

The problem of measuring productivity differences

The first measure of discrimination, illustrated by the difference in overall average income between majority and minority households (or families), may be considered to measure societal economic discrimination. (Recall also the supporting evidence in Table 2.) The second measure of discrimination, which is commonly measured as the difference in the average wage for equally productive majority and minority workers, may be considered to express labor mar-

ket discrimination—obviously a narrower concept than that of the first definition.

Implicit in labor market discrimination, which I will also refer to as wage discrimination, is the proposition that the group status that defines the majority or minority group has no intrinsic effect on productivity. This proposition may simply be viewed as defining the economist's measure of wage, or labor market, discrimination, in which any measured negative effect of group status on wages, after controlling for productivity, is defined to be discrimination. Typically, a statistical regression function is used to estimate the effect of group status on wages, and the control over productivity, as measured by various characteristics of the workers, is handled by this statistical technique. But the important conceptual question is what productivity characteristics should be held constant when estimating wage discrimination. The criterion I propose is that the variables that are held constant should *not* be determined by the process of discrimination under analysis. Consider the following two applications of this criterion.

Case 1: Assume the analysis pertains to a given employer or firm, and that we ask whether white workers are paid more than black workers after taking account of (holding constant) the available productivity variables. Let us further assume that a panel of experts provides us with the worker characteristics that determine productivity in the given firm. The productivity variables might include previous vocational training, tests of manual dexterity, age, years of schooling, and so on. However, to meet the above criterion, each variable should be exogenous to the employer; that is, the characteristic should not be affected by the employer's behavior. If it did, it might reflect discrimination. Thus, a variable defined as "supervisor's rating" would not be admissible.

Case 2: Assume the analysis pertains to the entire labor market. We ask whether white workers are paid more than black workers after holding constant an admissible set of productivity variables that meet the criterion that they are not affected by the process of discrimination under analysis. But because the entire labor market is under analysis, variables like "previous training" almost surely reflect previous discrimination in the labor market, so they are not admissible.

Unfortunately, there is no simple rule in market-wide studies for determining when a variable may be appropriately held constant. Among the variables mentioned in Case 1, age would be appropriately held constant as an exogenous variable. Years of schooling would be held constant if we believed that the decision to attain schooling did not reflect discrimination in the labor market. Perhaps less education among minorities reflects societal discrimination—not labor market discrimination, but pre-labor-market discrimination. On the other hand, blacks and women may perceive that higher levels of schooling yield smaller earnings for them than for white men. If this were true, then

these groups may have curtailed their schooling, in which case educational attainment would reflect labor market discrimination.

Certain genetic differences might be admissible in analyzing differences in pay between men and women. Physical strength is a genetic difference between men and women, but we may agree that this is not an important explanation for pay differences in the modern urban society. On the other hand, the cultural, and partly biological, differences between men and women in the division of labor between market work and housework—raising children, in particular—may be considered exogenous, or they may not.

Determining the productivity variables that are admissible is the first step in estimating wage discrimination. Accurate measures of the agreed-upon variables are also needed. A look at the econometric research in this area will be presented in Part 2 of this article in a future issue of *Focus.*

Special issues that arise in comparing men and women

Theories of discrimination against women should deal with two factors that differentiate women from a racial minority group like blacks. First, women may be said to choose to specialize in home production, thus rationalizing a lower market wage. No such alternative employment is credible among black men. Second, even if women suffered lower market wages because of discrimination, they might recover all or part of these losses by marrying the favored group, men.

Both factors direct our attention to the division of labor between home and market sectors. Wage comparisons, which are the key ingredient in measuring labor market discrimination, should, for some purposes, measure the total remuneration of men and women per hour of work. For men, this may be reasonably approximated by the market wage rate, recognizing that the fringe benefits and non-pecuniary aspects of one's job are not readily measured. For women, however, the actual hours involve both market and home work, and the full remuneration includes market earnings and, say, the wife's share in household income—specifically that share which reflects her time and effort in "household production." Income comparisons, which measure another type of economic discrimination, should not only allow for household money income but also for leisure consumption.

Specialization by men in the labor market is to some extent a legacy of the past, when the following environmental and biological constraints prevented women from having equal access to labor market opportunities: (a) seriously imperfect control over fertility and the limited alternatives to breastfeeding for the proper nurturance of babies; (b) physical disadvantages relative to men in performing much, and perhaps most, market work; (c) a collusive monopolization by men of various instruments of power, often institutionalized into laws, that prevented women from having equal access to market work.

These constraints may not prevail today to any significant degree. However, the legacy may play a role in the determination of current preferences, and preferences are conventionally taken as given by economists.

The measure of full income as an economic concept must confront the issues raised in Table 2, one of which was the component of one's standard of living that is attributable to the consumption of nonmarketed goods and services, which economists often summarize into a single category, leisure. Leisure may be inferred from an accounting identity in which total time, say 24 hours per day, is divided into work time, time for personal care (including sleep), and leisure. For men, the assumptions that work is entirely market work and that personal care is roughly constant across time have permitted a rough measure of an increase in their leisure consumption by the measured decrease in their time spent at work over the past 100 years or so. Analogous assumptions may permit a comparison among men in different countries at a point in time.

The accounting identity also applies to women, but the practical difficulty is the measurement of housework, which must be added to market work to obtain a measure of total work. Several surveys of time use, often employing time-use diaries by the respondents, have presented rather convincing evidence that men and women, or at least the husbands and wives who constitute the main focus of these studies, work about the same amount of time, on average. Table 6

shows my recalculations of the reported total hours of work — home and market — for three surveys from 1965 to 1976.[7] The units of measure are weekly (7-day) hours of work. The averages for wives, which range from 61 to 68 hours depending on the definition of work, are actually weighted averages of employed wives, who work more total hours, and nonemployed wives, who work fewer total hours. However, employment status is defined at the time of the survey, and because most wives will work in paid employment at some time in their married life, the average of the two employment states is a more accurate picture.

As the table shows, husbands work about the same number of total hours. Note that in these surveys husbands typically work from 10 to 20 or so hours in tasks other than their paid employment, which is usually from 40 to 50 hours per week. This tells us that the conventional economic assumption that market work defines total work by men is no longer accurate, if it ever was.

The change in time spent in market work over the decades presents the following challenge to economists and to other social scientists interested in the comparative economic well-being of men and women. The decline in market work by men is substantial and undoubtedly reflects an increase in leisure consumption.[8] But women's time in market work has increased substantially, so a parallel-to-men rise in leisure consumption by women would require their time in housework to decline sufficiently to more than offset their increase in market work.

Table 6
Total Hours of Work per Week, Home and Market, by Wives and Husbands, Reported in Three Surveys, 1965-76

Employment and Marital Status	National Survey 1965-66[a]	Syracuse, N.Y., Survey, 1967-68[b]	National Surveys 1965-66 and 1975-76 (averaged)[c]	
			Travel to Work Not Included	Travel to Work Included
Employed husbands	62	64		
Employed wives	71	68		
Nonemployed wives	56	60		
All husbands (same as employed husbands)	62	64	62	67
All wives	61	63	65	68

Source: Cain, "Women and Work: Trends in Time Spent in Housework," IRP DP no. 747-84. The table relies on the sources cited in the notes below.
[a]J. Vanek, "Household Work, Wage Work, and Sexual Equality," in *Women and Household Labor*, ed. S. F. Berk, Sage Yearbooks in Women's Policy Studies, Vol. 5 (Beverly Hills, Calif.: Sage Publications, 1980), p. 277.
[b]K. E. Walker and M. E. Woods, *Time Use: A Measure of Household Production of Family Goods and Services* (Washington, D.C.: American Home Economics Association, 1976), p. 64.
[c]F. Stafford, "Women's Use of Time Converging with Men's," *Monthly Labor Review, 103* (December 1980), 58. The results for the 1965-1966 and 1975-1976 surveys are averaged to limit the distorting effects of the recession in 1975-76.

The most widely cited evidence on this issue is a study of the period from 1920 to 1966 by Joann Vanek, who concluded that there was no decline in time spent in housework by non-employed women over this period.[9] Vanek pointed out that surveys in the 1920s mainly involved farm women, who worked an average of 8 to 10 additional hours in unpaid farm work, but she also noted that the much higher rates of market work by urban wives in 1965–66 more than offset the decline in time spent in farm work. She concluded that "modern life has not shortened the woman's work day."[10] The normative implication of this finding for the change in the economic status of men and women is rather startling. Women would appear to have benefited much less than men from the rise in per capita income during the past 60 years. Men's standard of living has improved from both increased consumption of goods and services and increased leisure. Have women benefited only from the gains in material well-being? If so, and unless their material well-being increased a good deal more than men's, they have apparently failed to keep pace with the overall gains made by men. There is no evidence that women have received a larger share of the increases in consumption of goods and services stemming from (or defining) the rise in per capita income in this century.

My reanalysis of these two issues — the time trends in housework and total work, and the amount of total money income women and men receive, allowing for an equal sharing of household income by husbands and wives — is summarized in Tables 7 and 8.[11]

In Table 7, the trends in housework and in total work (defined as housework plus market work) are shown for the period 1920 to 1976, originally reported by other scholars, and for the period 1890 to 1976, as I have recalculated them, using the original studies along with a variety of other sources. Over the longer period and with my adjustments, the decline in housework time per week is substantial, 27 hours, and the decline in total work is about 15 hours — significant, but probably less than the decline in total work by men. If women's consumption of market goods and services has kept pace with men's consumption, then their lesser decrease in total work time implies that the rise in their standard of living has lagged behind that of men during this century.

Table 7
Weekly Hours of Housework and Total Work of Wives
in the United States, 1890–1975, Estimated by Various Adjustments
to Data from Earlier Studies

Years	Estimates from Studies by Vanek and Robinson		Estimates with Extensions and Adjustments[a]	
	Housework	All Work	Housework	All Work
1890	–	–	66	68
1920–28	53	57	56	60
1965–66	48	59	–	–
1975–76	41	55	39	53
Change in hours from beginning year to terminal year	-12	-2	-27	-15

Source: Author's calculations based on the original work by J. Vanek, "Keeping Busy: Time Spent in Housework, United States, 1920–1970," Ph.D. diss., University of Michigan, Department of Sociology, 1973, pp. 80–82; and J. P. Robinson, "Housework Technology and Household Work," in *Women and Household Labor*, ed. S. F. Berk, Sage Yearbooks in Women's Policy Studies, Vol. 5 (Beverly Hills, Calif.: Sage Publications, 1980), pp. 53–67.

[a] Seven hours of housework are added to the 1920s hours to estimate the hours of housework in the 1890s. Three hours of housework are added to the 1920s hours to allow for the understatement of numbers of children in families in the 1920s survey. Two hours are subtracted from the total of 18 that are devoted to "family care" (including child care) and "shopping" and "other" categories of housework in the 1970s to allow for leisure components of these activities. (See Cain, "Women and Work," IRP DP no. 747–84, for a full explanation of these adjustments.)

The issue of the comparative lifetime money incomes of men and women is the final topic of this article, and its conclusions are summarized in Table 8. The incomes of men and women, previously shown for certain categories of families in Table 1 for 1981, are computed for each age of adulthood and summed over all adult ages to obtain the lifetime money incomes. The figures refer to the cross-section of the age-income profile in 1981 and are only crude estimates of the actual lifetime incomes of cohorts. Incomes received by married-couple households are allocated equally to husbands and wives, so differences in lifetime incomes are definitionally associated with periods when the men and women are not married (or not living together if married). Incomes of women include alimony and child support payments made to divorced, separated, and widowed women; and the payments by men are subtracted from men's incomes. A discount rate of 5 percent is used to compute the present values, and different survival probabilities between men and women at each age are used.[12]

The principal findings and interpretations of Table 8 are the following:

- Women receive substantially less income than men during their adult life, even though they are assigned a share of income equal to that of their husbands during marriage. However, the amount of time an adult spends in an unmarried state is sizable. When single, women have much smaller household incomes and a larger household size than men. Assuming equal leisure consumption, as implied by Table 6, it follows that the results in Table 8 show that women experience economic discrimination in terms of total economic well-being.

- Women fare better when income rather than earnings is the basis for a comparison with men. Even the lowest ratio of income, .67 in row 6, which is for all persons, adjusted for household size, is larger than the highest earnings ratio, .61 in row 9, for full-time workers.

- Allocating the household income on a per capita basis by dividing by the average household size sharply lowers income for women relative to men, because the size of the household headed by a woman is considerably larger than that of the household headed by a man, and there are more female-headed households (excluding households of married couples).

Generally, a larger household implies more housework and, among full-time workers, less leisure time. Sometimes dependent members perform a substantial amount of housework, but this would not be true of young children, who are more likely to be living with the mother when the parents separate. The per capita figures in rows 4–6 allow for the reduced consumption of market goods per person, but not for reduced leisure.

There is a strong presumption, therefore, of less leisure consumption by women who both head households and work full time. How leisure consumption compares among single-parent households where the head does not work full time is not known. Many of these women are on welfare and probably consume more leisure than the average, but their incomes are very low, and their lives are often adversely constrained by administrative rules.

No value is attached to work, other than the income received. Regarding market work, this issue arose in Table 2 concerning nonpecuniary aspects of such work. The issue is more complicated regarding housework, because there is a close connection between the work performed and the worker's consumption of the services of the work. For example, dependent children require housework, but they also pro-

Table 8
Present Values and Female-to-Male Ratios of Present Values of Lifetime Income and Lifetime Earnings in the United States: Synthetic Cohort Data from Cross-Section Surveys, 1980–81 and 1979

Unit and Income	All Persons	Full-Time Workers[a]
Household income, 1980 (Household income divided equally for married couples)		
1. Men	$280,831	$285,841
2. Women	227,636	249,731
3. Women/men income ratio	.81	.87
Per-person household income, 1980 (Household income divided by average size of household)		
4. Men	185,541	190,180
5. Women	123,638	134,265
6. Women/men income ratio	.67	.71
Per-person earnings, 1979		
7. Men	350,170	429,660
8. Women	157,033	263,971
9. Women/men earnings ratio	.45	.61

Sources: Glen G. Cain, "Welfare Economics of Policies toward Women," IRP DP no. 732-83, Table 3, which relies on the following sources: U.S. Bureau of the Census, Current Population Reports, P-20, No. 372, *Marital Status and Living Arrangements, March 1981,* Table 2; P-20, No. 371, *Household and Family Characteristics, March 1981,* Tables 3 and 13; P-60, No. 132, *Money Income of Households, Families, and Persons in the United States, 1980,* Tables 10 and 26; P-60, No. 139, *Lifetime Earnings Estimates for Men and Women in the United States: 1979,* and *Vital Statistics of the United States,* Vol. II, Section 5, Life Tables, 1978.
[a]For households headed by a woman or man (not including married couples), the income calculations in this column are restricted to households where the heads are full-time workers. For married-couple households, income is measured for all couples, not just those where the primary earner worked full time. In these calculations income of married couples is shared equally between husband and wife, so a focus on couples where the primary earner worked full time is not necessary. In rows 7–9, which refer to persons rather than families, the calculations are for full-time workers for this column.

vide pleasure for their parents, and the extra burdens on the divorced mother may be offset by this extra value. More generally, the presumed higher skills of women in housework might permit unmarried women to enjoy more household consumption than unmarried men — sufficient, perhaps, to offset their income (and leisure?) disadvantage.

Several additional questions about Table 8 may be raised. Do women feel a stigma if their market *wages* are lower, even if their *incomes* equal those of the men with whom they may be comparing themselves? Is the shorter life span of men attributable to their specialization in market work? Biologists tell us that women are probably endowed with more longevity, but whether the sex differences in time spent in home and market work add to this endowment is unknown.

Although the difference between men and women in earned income has decreased during the past 30 years, the probability of divorce and separation has increased. As a consequence the current generation of women may have suffered a decline in lifetime income (as defined above) relative to men, despite their increased relative earnings. One must ask whether the rise in divorce and separation is a *consequence* of the relative rise in earnings and whether all of this reflects a greater independence of women and an overall improvement in their well-being.

The empirical measure in Table 8 of gender equity avoids the question of why market wage rates are lower for women and does not attempt to measure discrimination in the labor market. Instead, the question is, Regardless of why men are paid higher wages, are women compensated in whole or part by alternative income receipts? It appears that they are partially compensated, but that their shortfall remains so large that an economic inequity is strongly suggested. Of course, data for actual cohorts of men and women, more information about leisure consumption, and, ideally, more information about actual consumption of home and market goods are needed for definitive conclusions. ■

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[1] "Poverty in the United States: Where Do We Stand Now?" *Focus*, 7:1, p. 3.

[2] For a list of the IRP Discussion Papers on which this article is based, see box on this page.

[3] The term "white" will be used to refer to non-Hispanic whites.

[4] U.S. Bureau of the Census, Current Population Reports, Series P-60, No. 137, *Money Income of Households, Families, and Persons in the United States: 1981* (Washington, D.C.: U.S. GPO, 1983), Table 4.

[5] Ibid., Table 13.

[6] Ibid., Table 55.

[7] Cain, "Women and Work" (see box).

[8] See Cain, "Lifetime Measures of Labor Supply" (box), for supporting evidence on the generalizations about market work by men and women in this paragraph.

[9] J. Vanek, "Time Spent in Housework," *Scientific American, 231* (November 1974), 117-120.

[10] Ibid., p. 120.

[11] Cain, "Women and Work," and "Welfare Economics of Policies toward Women" (see box).

[12] Other details of the calculations are discussed in Cain, "Welfare Economics."

Institute Publications by Glen G. Cain on the Economics of Discrimination

"Welfare Economics of Policies toward Women." IRP Discussion Paper no. 732-83.

"Economic Discrimination against Women and Racial and Ethnic Minorities." IRP Discussion Paper no. 745-84.

"Women and Work: Trends in Time Spent in Housework." IRP Discussion Paper no. 747-84.

"The Economic Analysis of Labor Market Discrimination: A Survey." IRP Discussion Paper no. 748-84. Forthcoming.

"Lifetime Measures of Labor Supply of Men and Women." IRP Discussion Paper no. 749-84. Forthcoming.

Wingspread conference on poverty in Wisconsin

In conjunction with the Wisconsin Department of Health and Social Services, the Office of the Governor, and the Johnson Foundation, the Institute for Research on Poverty sponsored a conference at Wingspread — the Frank Lloyd Wright landmark just north of Racine — on March 13-14, 1984, to examine the causes and consequences of poverty in Wisconsin and to seek to identify measures and policies to prevent or remedy poverty. In addition to discussions among the participants, presentations were made by the following people:

Ken Bowler, Legislative Consultant, James C. Corman Law Firm

Carol Croce, Executive Director, Wisconsin Nutrition Project, Inc.

Sheldon Danziger, Director, IRP

John Driggs, Member, President's Commission on Hunger

Howard Fuller, Director, Department of Employment Relations

Irwin Garfinkel, IRP

Maurice MacDonald, IRP

Robert Milbourne, Vice President, the Kohler Company

Linda Reivitz, Secretary, DHSS

Judith Weitz, Director, State and Local Affairs, Children's Defense Fund

Barbara Wolfe, IRP

New project under way: Relative economic status, 1940–1980

Our perceptions of the causes of and cures for poverty are very much influenced by what we can learn from the data gathered annually in the Current Population Survey (CPS). Although an admirable data set, the CPS is not without its limitations, not the least of which is that it becomes a public use microdata set only with the 1965 data. By that late date, answers to the questions of who was poor and why were far different from answers only a few decades earlier. By 1965 the agricultural sector had withered away, the decline in mining, textiles, shipbuilding, etc. was completed, the Great Depression was a dim memory, and the great migration of blacks out of the South was turning back on itself. To some degree we seem to be returning to those earlier times. Each succeeding recession seems to be deeper than the preceding one. Permanent declines in industry after industry appear likely. A new substantial migration flow has been triggered. As long as our data base is confined to the CPS, our capacity to analyze these emerging causes of poverty will be severely limited.

As with our understanding of the causes of poverty, our perceptions of the cures may also be dramatically affected by the recent starting date of the CPS microdata file. By 1965 the programs of Old Age Insurance and Aid to Families with Dependent Children were virtually universal in the sense that take-up rates by eligible citizens were approaching 100 percent. Our base measure of poverty therefore represents the confounding of those key transfer programs and the behavioral responses to them. Consequently we are almost always in the position of trying to tease out behavioral responses to key transfer programs from a data set in which all the beneficiaries have modified their behavior in response to the transfer system.

Obviously microdata sets that capture the world before the key transfer programs became universal and when declining industries and regions were important causes of poverty hold the promise of enriching our understanding of the causes of poverty. Similarly, a microdata set that reports unearned income but was collected for the period before transfers were so omnipresent ought to expand our understanding of programs designed to lessen poverty. Just such data sets are now becoming public. Newly available microdata from the 1940 and 1950 censuses and the computer files of the 1980 census have made it possible to construct a consistent record for the past 40 years. This undertaking, which is being carried out by researchers at the Institute for Research on Poverty and by affiliates at several other universities under contract from the U.S. Department of Health and Human Services, will examine the patterns and causes of trends in poverty and inequality from 1940 to 1980. Because biases exist in the census data, and because some material relevant to changing economic status is not covered by those data, a number of ancillary studies will be

done to inform the interpretation of the record. Scheduled for completion by mid-1985, this body of work constitutes a major item on the current research agenda of the Institute.

Sheldon Danziger and Eugene Smolensky will provide a broad picture of the anatomy of poverty and inequality. They will describe the relative size, mean income level, and distribution of economic well-being, and will calculate the incidence of poverty among such groupings as age cohorts; sex, racial and ethnic minorities; and family types (single parents, nuclear families, and extended families). They will examine the relative importance of earnings, property income, and transfers across these demographic types, and will decompose trends in poverty and well-being into the proportions due to demographic change and the proportions due to changes in the components of income.

Along with Saul Schwartz, Tufts University, they plan to extend their study of the economic position of the elderly relative to the nonelderly back in time to reveal the extent to which social security benefits may have reduced the work effort of this group and the extent to which the changing relative economic status of the aged (see *Focus*, 6:2) may suggest changes in public policies.

Work by Timothy Smeeding, University of Utah, will address two biases in the calculation of census money income — the omission of in-kind benefits and the omission of private-sector fringe benefits.

A number of researchers will concentrate on groups whose relative economic status is of particular policy interest. Karen Holden will seek an explanation for the fact that women who are divorced, single, or widowed are so likely to have a poverty-stricken old age. Sara McLanahan and Annemette Sørensen will sort out those factors that result in inequity between men and women at all ages. They will determine during what periods of the life cycle income inequality between the sexes is most pronounced and relate those periods to variations in marital and headship status. They will also examine differences in the sources of economic well-being of married women and men. The partners in a marriage may be — as is traditionally presumed — equally well off, but the relative contributions of the two spouses may have important consequences, affecting the subsequent income of each. Peter Gottschalk of Bowdoin College and Danziger will determine the extent to which increased inequality in the male earnings distribution is caused by the influx of inexperienced workers — the baby boom generation and women of all ages — into the labor market. Halliman Winsborough will provide information on the comparative magnitude of inequity among different age groups over time.

Reprints and Discussion Papers

These Reprints and Discussion Papers are all available under the $25 yearly subscription that runs from July 1, 1983, to June 30, 1984. Or individual copies may be ordered: Reprints $2.00; Discussion Papers $3.50. See order form at back of this issue.

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Sheldon Danziger and Robert Lampman, *Two Notes on the Social Safety Net.* Reprint 467.

J. Rogers Hollingsworth, *Inequality in Levels of Health in England and Wales, 1891-1971.* Reprint 468.

Barbara Wolfe and Robert Haveman, *Time Allocation, Market Work, and Changes in Female Health.* Reprint 469.

Christopher Winship and Robert Mare, *Structural Equations and Path Analysis for Discrete Data.* Reprint 470.

Robert Plotnick, *Turnover in the AFDC Population: An Event History Analysis.* Reprint 471.

Erik Olin Wright, *Capitalism's Futures.* Reprint 472.

Irwin Garfinkel and Robert Haveman, *Income Transfer Policy in the United States: A Review and Assessment.* Reprint 473.

Erik Olin Wright, *Gidden's Critique of Marxism.* Reprint 474.

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Jennifer Warlick, *Aged Women in Poverty: A Problem without a Solution?* Reprint 477.

Sharon Berlin and Linda Jones, *Life after Welfare: AFDC Termination among Long-Term Recipients.* Reprint 478.

Robert Haveman and Barbara Wolfe, *Disability and Work Effort: A Probabilistic Choice Analysis of the Labor Supply Decisions of Older Men.* Reprint 479.

Paul Menchik and Martin David, *Income Distribution, Lifetime Savings, and Bequests.* Reprint 480.

Discussion Papers

Robert Mare and Christopher Winship, "Racial Socioeconomic Convergence and the Paradox of Black Youth Joblessness: School Enrollment, Military Enlistment, and Employment, 1964-1981." DP 727-83.

Christopher Flinn, "Wage and Job Mobility of Young Workers." DP 728-83.

Robert Moffitt, "The Effects of Grants-in-Aid on State and Local Expenditures: The Case of AFDC." DP 729-83.

Peter Gottschalk, "Labor Market Policies and the Reagan Experiment." DP 730-83.

Robert Moffitt and Michael Rothschild, "Variable Earnings and Nonlinear Taxation." DP 731-83.

Glen Cain, "Welfare Economics of Policies toward Women." DP 732-83.

Aage Sørensen, "Interpreting Time Dependency in Career Processes." DP 733-83.

Marygold Melli, "Child Support Awards: A Study of the Exercise of Judicial Discretion." DP 734-83.

Anders Björklund and Robert Moffitt, "Estimation of Wage Gains and Welfare Gains from Self-Selection Models." DP 735-83.

Edgar Olsen, "The Welfare Cost of Free Public Schools Revisited." DP 736-83.

Peter Gottschalk and Sheldon Danziger, "Changes in Poverty, 1967-1982: Methodological Issues and Evidence." DP 737-83.

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Sheldon Danziger, Peter Gottschalk, Robert Rubin, and Timothy Smeeding, "Recent Increases in Poverty: Testimony before the House Ways and Means Committee." DP 740-83.

Michael Sosin, "Auspices and the Types of Social Problems Covered by Private Agencies: An Application of Niche Theory." DP 741-84.

Robert Moffitt, "Assessing the Effects of the 1981 Federal AFDC Legislation on the Work Effort of Welfare Recipients: A Framework for Analysis and the Evidence to Date." DP 742-84.

Arthur Goldberger, "Reverse Regression and Salary Discrimination." DP 743-84.

Thomas Fraker and Robert Moffitt, "Effective Tax Rates in the AFDC Program, 1975-1979." DP 744-84.

Glen Cain, "Economic Discrimination against Women and Racial and Ethnic Minorities." DP 745-84.

Gary Burtless and Robert Haveman, "Policy Lessons from Three Labor Market Experiments." DP 746-84.

Glen Cain, "Women and Work: Trends in Time Spent in Housework." DP 747-84.

The dynamics of dependency: Family background, family structure, and poverty

Debate during the 1960s and 1970s over whether a culture of poverty exists and persists prompted research into the dynamics of poverty. That work resulted in a series of studies which revealed considerable variation in the length of time that individuals and different groups tend to remain poor.[1] Now a related question has gained prominence: Is a permanent "underclass" developing in America?

According to one view, government welfare programs of the last two decades (principally Aid to Families with Dependent Children, AFDC) have succeeded in aiding some groups but have left a residue of persons destined to perennial dependence on public support. Made up for the most part of the adult children of "welfare mothers," this subgroup has sometimes been portrayed as deficient not only in earned income but also in moral character and social behavior. They purportedly do not share society's accepted values, are often disruptive and violent, and are beyond the help of either private or public efforts to rehabilitate them.[2]

Concern over the drain on public resources resulting from the existence of a hard-core subclass has focused the attention of researchers on single parenthood, welfare receipt, and their effects in perpetuating economic dependence. Aided by the availability of across-time data sets such as the Michigan Panel Study of Income Dynamics (PSID), social scientists have now begun to investigate the dynamics of dependency. Among them is Institute affiliate Sara McLanahan, whose chief interest is the influence of family structure, especially single-parent families, on the transmission of poverty. At Harvard, Mary Jo Bane and David Ellwood have analyzed the length of time individuals remain in poverty and on the welfare rolls and the ways in which they escape poverty or welfare. A team headed by Martha Hill, at the University of Michigan, has reported on motivation and economic mobility within and across generations of poor people.

Family structure and the reproduction of poverty

"The key question," McLanahan writes, "has been and continues to be whether long-term inequality is due to family structure per se (i.e., the absence of a parent) or to some other factor such as social class and/or ethnicity which is correlated with both family structure and adult attainment."[3] Previous research left basic questions unanswered, primarily because most of the sources that were used to examine adult attainment did not provide information on past family income or the cause and extent of parental absence. The Michigan PSID contains data on the family experiences of a group of offspring who have been followed in the Panel since they left their families of origin.

For her analysis McLanahan used eleven years of information (1968–78) from respondents who ranged in age from 17 to 27 in the year 1978 and who were dependent children in Panel families at the age of 17. The sample contained 3300 individuals, of whom somewhat under half were black. The analyses were conducted separately for blacks and whites.[4]

Because the failure to graduate from high school has been shown to be a strong predictor of subsequent welfare recipiency and continuing poverty,[5] McLanahan examined the likelihood that offspring from various types of families would complete high school. She found that regardless of place of residence, parents' education, or race, those who lived with single mothers were significantly more likely to have dropped out of high school than those living in two-parent households.

Having determined that there is a schooling difference among youth in single-parent versus two-parent families, McLanahan examined three possible explanations for that variation: economic deprivation, the absence of a male role model, and family stress associated with marital disruption.

Economic deprivation

The economic-deprivation thesis attributes differences in children's attainment to income differences that exist between one- and two-parent families. McLanahan found support for that argument. There was a strong relationship between family income and schooling probabilities: the lower the income, the less likely that either a black or a white teenager would be in school, and income explained over 50 percent of the schooling difference between white offspring in single- versus two-parent families.

To take a closer look at income-related factors, McLanahan analyzed other characteristics associated with family income and single parenthood, including whether the mother worked, whether the youth worked, and whether the family received welfare (AFDC). Each of these factors has been suggested as contributing to undisciplined, anti-social behavior among offspring and, ultimately, to the growth of an underclass.

Among whites, neither mother's working nor offspring's working seemed to affect school attendance. Among blacks, working teenagers were *more* likely to remain in school, but the fact that the mother worked did not appear to influence schooling. The welfare coefficient told a different story. White offspring in families receiving AFDC were much less likely to complete school than were offspring in single-parent, nonwelfare homes. Among black families the welfare effect was mixed. In the initial analysis, welfare had no significant effect on schooling, whereas in a subsequent analysis that was based on a subset of respondents aged 23 to 27, welfare had a *positive* effect.

Absence of the father

The "father-absence" thesis argues that the lack of a male role model decreases motivation among children, interferes with psychosexual development, and results in premature termination of schooling. According to this view, negative effects should appear in all types of households from which the father is absent, should be more pronounced among boys, and should gain intensity the longer the father has been gone.

Among whites, McLanahan found very little evidence to support the thesis. There was considerable variation across the different types of families headed by single mothers. White teenagers living with mothers who were separated from their husbands were much less likely to be in school, while those living with divorced, widowed, or never-married mothers did not differ very much in terms of schooling from youth in two-parent families. In addition, there were no sex differences and no indication that effects were more negative for offspring whose fathers had been gone a long time.

Among blacks the thesis received more support. The probability of attending school was lower for offspring in all types of single-parent families except those headed by never-married mothers. No differences showed up, however, between male and female offspring.

Suspecting that the variation in these findings pointed to factors other than simply the absence of the father, McLanahan next examined the thesis concerning stress.

Family stress

The family-stress argument states that the negative consequences associated with single-parent families are due to the

recency and timing of parents' marital disruption. The more recent the breakup, the more negative the effect, probably owing to tensions within the household. In addition, when the split occurs during the children's adolescence, the offspring are doubly vulnerable — because of the stress and because of its coincidence with critical life-course decisions, such as school continuation. If the family-stress thesis is accurate, we would expect to find that recently disrupted households account for most of the negative association between family structure and schooling.

McLanahan examined the relationship between schooling attendance and time since marital disruption among the various types of single-parent families. She found that for whites, recency of disruption was indeed positively related to dropping out of school, but this was not true of black youth. While the results for blacks therefore did not support the family-stress thesis, neither were they entirely consistent with the father-absence argument, because there was no negative effect on schooling among black offspring living with never-married mothers, and these teenagers probably have had the least amount of contact with their fathers.

Policy lessons

The major finding of McLanahan's research is that offspring who live in female-headed families are less likely to complete high school than those living with two parents. On the one hand, her results lend support to the "underclass" argument that economic deprivation in one generation leads to deprivation in future generations. On the other hand, this research does not reinforce the idea that long-term absence of a father is the major factor underlying family structure effects. The study thus contradicts at least one part of the underclass thesis: that any deviation from the nuclear-family pattern has negative effects on children. Because of the strong effect of income, the author concludes that policies directed toward raising the incomes of one-parent families may succeed in removing some of the intergenerational disadvantages currently attributed to family structure and single mothers.

Spells of poverty and welfare receipt

The study of poverty "spells" — the length of time spent in that state — conducted by Bane and Ellwood is in part an

extension of the research on poverty dynamics, mentioned at the beginning of this article and summarized in the previous issue of *Focus*.[6] Using ten years of data from the PSID, their analysis showed that most people who become poor at some time in their lives remain so for a relatively short period of only one to two years. But Bane and Ellwood found, in contrast to previous research, that there is a substantial subgroup of people who are mired in poverty over a period of many years. Indeed, about 60 percent of those identified as poor in a cross-section analysis, a "snapshot" taken at a given time, are in the midst of a poverty spell which will last eight or more years. It is these long-term poor who are a major source of concern, because over the years they absorb a very large part of the public resources directed toward aiding the poor. In their study of "welfare spells," Bane and Ellwood reached conclusions similar to those they found in studying poverty spells.

Movements on and off welfare

Subtitled "The Routes to Self-Sufficiency," this study was commissioned by the U.S. Department of Health and Human Services to gain answers to three questions: How long do AFDC mothers tend to stay on the rolls? What are the characteristics of long-term welfare (AFDC) recipients? How do women escape welfare?[7]

Analysis of the characteristics of recipients showed that certain types were much more likely to depend on welfare for long periods. They included high school dropouts (recall McLanahan's study), nonwhites, unwed mothers, mothers with many children, and women who had not earned any income before they began to receive AFDC.

Women were able to leave the rolls by several different routes. One-third left because their earnings went up, another third because they married or reconciled with their husbands. But among both of these groups, together constituting two-thirds of those who left, almost 40 percent once again returned to welfare. Others ceased receiving AFDC because their children grew up or left home (14 percent), because the earnings of other household members rose (7 percent), because family size decreased (3 percent), and the rest because they moved, gained income from the earnings of others, or for reasons not explained in the data.

Those who left the program because their earnings went up were likely to do so after short AFDC spells—one or two years. This group does not seem to impose a serious burden on public resources, since they manage to find their own way off the rolls in a relatively short time. As one would have expected, the earners were more likely to be white, to have graduated from high school, and to have fewer children. The surprise, however, was that women with preschool children were just as likely to leave after an earnings change and just as likely to have had previous earnings records as women with children of school age.

The discouraging side of the report involves those left behind. The groups identified as being at high risk of long-

term dependency were nonwhites, unmarried mothers, and high school dropouts. Bane and Ellwood stress the need to target more assistance to them for the purpose of making them self-sufficient. "For those who are identified as having a large likelihood of long-term dependence, the benefits of substantially increasing movement to independence are sizable. Expensive policies might be justified fiscally if they are in fact effective in sharply reducing long-term dependence."[8] Among the efforts that the authors recommend are unemployment programs to help mothers work, and programs to reduce the number of new pregnancies among AFDC recipients.

Motivation and economic mobility across generations

According to theories on the existence of a culture of poverty or an underclass, "poverty and welfare dependence are seen as persisting from one generation to the next because they foster the development of deviant values in parents, who in turn pass the deviant values on to their children, preparing them only for a similar life of welfare dependency."[9] Martha Hill and colleagues at the University of Michigan have empirically tested theories concerning attitudes and motivation.

The data set was again the PSID, which contains several indicators of personal attitudes: motivation is measured positively by respondents' expression of the desire to achieve, negatively by indication of fear of failure; positive expectations are indicated by a sense of sureness that life will work out as expected and by the carrying out of plans; and orientation toward the future is indicated by the intent to plan ahead and save—qualities which the underclass is said to lack. The study examined both intragenerational and intergenerational effects of attitudes and motivation on subsequent change in economic well-being. We focus here on the second aspect, change across generations.

The sample for the intergenerational analysis consisted of children who had left Panel families to set up their own households in the period since 1968. Information was available on the parents and on the children as young adults. The

analysis first sought to determine whether, in the parents' households, lower attitude scores correlated with poverty status. As expected, the answer was yes. Heads of families with incomes below the poverty threshold scored lower on motivation, expectations, and future orientation. Those attitudinal factors were then compared with the later economic status of the offspring to get an idea of the effects of parental motivation.

Many of the children from poor families were, as young adults, better off than their parents, and the degree of their success did not seem closely related to the parents' psychological characteristics. Attitudes of parents had some effects on children's attainment, but the effects were not consistent or strong enough to point clearly to them as constituting a major barrier to intergenerational economic mobility. A positive finding in the research concerned education, confirming what has been demonstrated elsewhere: parents' education contributes to increased levels of children's education, thus thwarting transmission of poverty.

Motivation and welfare

To examine the transmission of welfare dependency, the team first examined probabilities of welfare *receipt* in the second generation—the children of welfare recipients—then the *intensity* of welfare dependence. (In this research, welfare included, in addition to AFDC, Supplemental Security Income, food stamps, and other public assistance.)

The results of the first analysis showed that young white adults were in fact considerably more likely to become recipients if they grew up in welfare households than were offspring of nonwelfare, but still poor, families. Young black women were somewhat more likely to receive welfare if their parents' households had done so; young black men from such families showed no difference from those in nonwelfare poor households. Parental attitudes seemed to play little role. Only among young white women was there a significant effect: positive attitudes of low-income parents lowered the probability of welfare receipt by a few percentage points.

The next step was to look at the extent of welfare dependency, measured by the portion of total individual income made up of public assistance transfers. Several degrees of intensity of dependence were tested. The results generally did not point to a link between the first generation and the next. With the exception of the finding that when parents were in the most heavily dependent category, the likelihood of subsequent dependency among white offspring was increased, no definite intergenerational pattern emerged. Among blacks, those from families that had depended heavily on welfare were no more likely to become similarly dependent than were blacks who were like them in all other respects except that they grew up in families that had never received welfare.

What this study tells us about the dynamics of dependency is that the likelihood of welfare receipt, but not the level of

dependence, is to some extent a pattern carried forward from parents to children. Parental attitudes, however, do not seem to be a significant factor in contributing to either receipt of, or dependence upon, welfare.

Families in poverty: What have we learned?

The studies described above have drawn conclusions from a valuable set of longitudinal data. This type of research promises to illuminate socioeconomic patterns that we have not been able to see clearly before, owing to a lack of firm information on social changes over time. Longitudinal research is nevertheless in its early stages. The PSID is a large and nationally representative sample, yet it does not adequately cover some of the particular subgroups that we need to learn more about. Data bases of this nature need to be sustained and, when possible, enlarged.

The potential is nonetheless there: McLanahan, Bane and Ellwood, and Hill and her colleagues have been able to elicit information which has up to now been unavailable. McLanahan has revealed the negative effects that stem from the lower income of single mothers. Bane and Ellwood have identified the existence and characteristics of the long-term poor, and Hill's research has told us that welfare dependence threatens to be passed on from parents to their children. These studies are opening the path to a better understanding of the interrelations of family background, family structure, and their effects on the condition of future generations. ∎

[1] See "The Dynamics of Poverty," *Focus* 5:1 (Summer 1981).

[2] This viewpoint is illustrated by a series of *New Yorker* articles by Ken Auletta ("The Underclass," November 16, 23, 30, 1981), which later appeared in book form under the same title.

[3] Sara McLanahan, "Family Structure and the Reproduction of Poverty," IRP Discussion Paper no. 720A-83, p. 2. (Forthcoming in *American Journal of Sociology.*)

[4] Respondents were either from two-parent families or families headed by women. Families headed by single men were not used because there were so few of them.

[5] Mary Jo Bane and David Ellwood, "The Dynamics of Dependence: The Routes to Self-Sufficiency," final report prepared for the Assistant Secretary for Planning and Evaluation, Department of Health and Human Services (Harvard University, 1983, mimeo.), p. 6.

[6] Bane and Ellwood, "Slipping Into and Out of Poverty: The Dynamics of Spells" (Harvard University, 1983, mimeo.); revised and reissued as Working Paper no. 1199, National Bureau of Economic Research, Cambridge, Mass., September 1983.

[7] Bane and Ellwood, "Dynamics of Dependence."

[8] Ibid., p. 6.

[9] Martha S. Hill et al., "Final Report of the Project: 'Motivation and Economic Mobility of the Poor;' Part 1: Intergenerational and Short-Run Dynamic Analyses" (Survey Research Center, Institute for Social Research, University of Michigan, Ann Arbor, Mich., August 3, 1983), p. 6.

Small Grants program: Round II awards

Awards in the second of three competitions in the Institute's Small Grants program were announced in April 1984. Three awards were made by a panel composed of members of the Institute's National Advisory Committee. The grants, in amounts up to $10,000, are for work during the summer of 1984. They are supporting the following research projects:

- *Analyzing "Trickling Down": How Labor Market Opportunities among the Poor Are Affected by General Economic Growth*

How do general macroeconomic growth rates affect low-income households? The research will study the impact of economic growth on different subgroups of the poor, such as black vs. white households and households headed by women vs. those headed by men. It will explore the means by which wage income increases. Do unemployed workers find jobs? Do wages rise? Do the employed work longer hours? It will examine any structural changes that occur in the labor market during periods of high demand and compare the effects of economic growth on poor and nonpoor households. Principal Investigator: Rebecca Blank, Princeton University.

- *A Longitudinal Analysis of Nonparticipation in the Food Stamp Program by Eligible Households*

By examining the change in the participation status of persons who were eligible for food stamps in both 1976 and 1979, this study will attempt to isolate those factors — economic, demographic, and behavioral — that result in failure of welfare-eligible households to enroll, and will help determine how policies can be designed to effectively combat nonparticipation. Principal Investigator: Richard Coe, University of Notre Dame.

- *Sex-Role Socialization and Economic Attainment: An Empirical Investigation*

Using both psychological theories of sex-role development and economic theories of job search, this study will test a model of women's occupational choice and wages that explicitly accounts for differences in how men and women value occupational attributes. Why do women end up in lower-status and lower-paying jobs than men? Does the answer to this question lie in sex-role patterns learned in childhood? The study will use a nationally representative sample of young women and brother-sister pairs. Principal Investigators: Mary Corcoran and Paul Courant, University of Michigan. ■

Spending for social welfare

Between 1950 and 1978 expenditures on social welfare in the United States expanded from 17.2 percent of GNP to 27.6 percent. Much of this growth in spending was carried out by the federal government. Critics of government spending have argued not only that the nation cannot afford such expenditures — which take away money from other laudatory goals, such as the environment and national defense — but that these expenditures diminish creativity and self-reliance, and encourage irresponsibility and dependence. They believe that these programs, by discouraging work and savings, are actually harmful to those whom they are designed to help. Partly in response to such criticisms, government expenditures on social welfare leveled off after a peak in 1976, have subsequently been cut back, and face further cuts.

Social welfare spending has its supporters as well. They advocate maintaining the programs to bolster national solidarity and well-being and to guarantee minimum levels of basic goods and services. Many even propose expanding the benefits already in place, and argue for new programs, such as those to provide jobs or day care. The debate on social welfare spending goes beyond economics and poses the basic moral question, What sort of society do we want?

A new Institute monograph, *Social Welfare Spending: Accounting for Changes from 1950 to 1978*, serves to inform this debate. In it, Robert J. Lampman provides a social accounting framework which permits the appropriate questions to be asked, if not answered. Lampman maintains that we must look not only at what government spends for social welfare, but at the total spent for this broad purpose — by government; by private employers, who provide pensions and health insurance for employees and their families; by private philanthropic organizations, which transfer funds from one family to another; and by families, who give money and services directly to relatives. All these systems accomplish the same ends, and the optimum size of government expenditures depends on the amount transferred by other means. Lampman examines how the money is spent, who receives the benefits, who pays for them, whether they accomplish the goals envisioned by their proponents, and what costs they entail. But first of all he defines and describes total social welfare spending.

Secondary consumer income

According to Lampman, spending to help others is universal. "Every society devises ways to share the income maintenance needs of the aged, disabled, and members of broken families, and at the same time, to spread the burden of teaching the young and healing the sick." Whether it results from extending family love to a larger kinship group, or from a fear of what may happen if assistance is not pro-

vided, some system of income redistribution always exists. "Transfers" are one-way transactions by which the recipient gains something while the donor (either voluntarily or involuntarily) gives up something. They are flows that modify the primary distribution of income, which arises out of market activities. Though all social welfare expenditures are transfers, not all transfers are for social welfare. The government gives away money for a number of reasons, among them to stimulate productivity and to regulate markets. It is only those transfers which replace or supplement family earnings that are classified by Lampman as social welfare expenditures. He gives those transfers the name "secondary consumer income" (SCI).

This income is by definition secondary — it comes to the recipient as a gift or without a reciprocal exchange of goods or services in the current period. The word "consumer" highlights the distinction between benefits which enhance *consumption* in the family and those which serve to enhance *production* in the business sector. It also distinguishes transfers to selected families from benefits which flow to all members of society in the form of "public goods" (such as national defense and law and order). "Income" measures the flow of cash and services on an annual basis. A pension is thus a benefit in the year it is received, even though it may have been paid for at an earlier date. Lampman divides SCI benefits into four major categories: (1) cash, (2) health care, (3) education, and (4) food, housing, and welfare services.

Because there is no official, complete list of these expenditures, Lampman constructs his own. Starting with the welfare expenditures under public programs routinely listed by the Social Security Administration, he makes modifications. He adds certain tax expenditures (or tax savings under the individual income tax), which could be converted into direct outlays for SCI, including personal exemptions for children (a form of children's allowance), the earned-income tax credit (a family earnings supplement), and the homeowner tax preference (a housing allowance).

To government benefits he adds those of private group insurance or pension funds, philanthropic organizations (such as churches, private schools, and charitable foundations), and direct gifts of cash, food, and housing from one family to another (most of which are transfers to divorced spouses and to relatives, such as adult children or aged parents). This, with some minor accounting adjustments, is

SOCIAL WELFARE SPENDING: ACCOUNTING FOR CHANGES FROM 1950 TO 1978

by
Robert J. Lampman

Academic Press, 1984

the total secondary consumer income in the course of a year. In 1950 it came to $50 billion; in 1978 it came to $598 billion. It represents 17.2 percent and 27.6 percent of total income in these years.

Who receives SCI

Secondary consumer income is distributed widely. In 1977 close to half the nation's population received at least one cash benefit. At least 25 million received a retirement benefit, at least 5 million had a disability benefit, at least 11 million had a benefit for the loss of the family breadwinner, at least 4 million had an unemployment benefit, and 37 million had one of the other cash benefits. The cash benefit most frequently received is the tax saving associated with the exemption for children, which reached 34.2 million taxpayers. Among households headed by a person 65 or older, 96 percent received a cash transfer from a government program.

Certain kinds of personal income losses are more fully offset than are others. Insurance against income loss associated with old age and retirement now covers virtually all workers, and close to one-half of the aggregate income loss of all persons due to retirement is being offset by some benefit. In contrast, only about one-quarter of the income loss due to unemployment is presently offset, and the income loss resulting from disability is the least offset. Cash benefits accounted for 50.5 percent of SCI.

In 1978, education, both public and private, was received by 59.2 million students (over one-fourth of the population), who accounted for 19 percent of the total SCI benefits. Another 20 percent ($120 billion) went for health care. Approximately 10 percent of SCI was spent for all other goods and services, such as food, housing, and personal services, including counseling, job training, adoption and foster care, child day care, and legal services. The leading public program to subsidize housing was not public housing for the poor, but the tax savings extended to owner-occupied housing under the federal income tax. These tax savings go chiefly to those in the upper half of the income distribution.

Figure 1 shows how the SCI benefits were distributed in 1978 between the poor and the nonpoor and between the aged and the nonaged. If all SCI benefits were distributed equally among all persons, each U.S. citizen would receive $2730 in a year. The profound bias of the system in favor of the aged is obvious. The aged poor receive $5607 per person; the aged nonpoor receive $12,167 per person. The system favors the rich among the aged and the poor among the nonaged. Whereas benefits for the nonaged are directed toward the poor, the aged receive benefits (such as retirement) that are geared to their economic status as earners and they have been singled out for benefits by recent legislation (see *Focus* 6:2).

The 20 percent of the population who were poor before receiving any transfers received about one-third of all SCI benefits. The poor group's share of cash benefits was 41 percent; of education benefits only 17 percent; of health care benefits 32 percent, and of food, housing, and other welfare services, 30 percent.

During the 28-year span from 1950 to 1978, SCI benefits were directed more and more to three specific categories of the population. As mentioned earlier, the aged were favored. The proportion of GNP going to them rose from 3.8 percent to 10.5 percent. The proportions going to the disabled and single-parent families also rose substantially, but the proportion going to all others virtually stood still: it was 11.9 percent of GNP in 1950 and 12.1 percent in 1978.

Who pays for the SCI system

Taxes pay two-thirds of the bill for SCI; wage diversions (amounts which otherwise would be paid as wages, and are instead diverted to fringe benefits such as insurance) pay for 17 percent; interfamily contributions pay for 14 percent; and philanthropy pays for 2 percent. According to Lampman, the burden of funding the SCI system is regressive: that means that those with low incomes in any one year pay a larger share of their incomes in SCI taxes and contributions than do those with higher incomes. Out of a total of $598 billion in taxes and contributions in 1978, $122 billion were paid in a progressive fashion (from federal taxes), $238 billion were regressive (from payroll taxes and state taxes), and the remainder was proportional (from wage diversions for private pensions and health insurance, and local property tax, interfamily giving, and philanthropy).
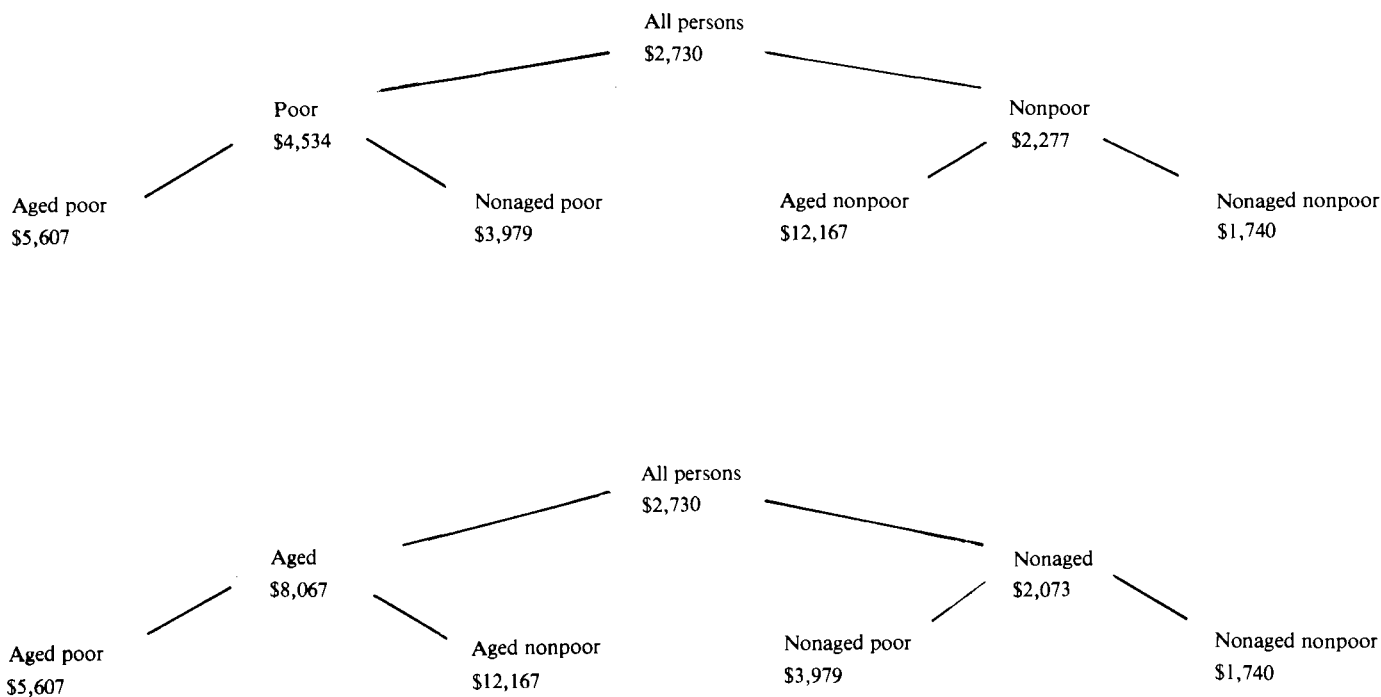
Figure 1. Secondary consumer income benefits per person, by pretransfer poverty status and by age, 1978.

The number of persons in each of the groups is as follows: All persons, 219 million; poor, 44 million; nonpoor, 175 million; aged, 24 million; nonaged, 195 million; aged poor, 15 million; nonaged poor, 29 million; aged nonpoor, 9 million; nonaged nonpoor, 166 million.

Source: Lampman, *Social Welfare Spending,* Figure 3.1.

The poorest 20 percent of the population paid about 6 percent of the SCI taxes and contributions. The 24 million aged persons received over one-third of all benefits and paid less than one-tenth of the taxes and contributions. The nonaged, nonpoor received the least benefits per capita but paid 90 percent of the SCI bill. The SCI system is therefore carrying out two kinds of income redistribution: one from the nonaged nonpoor to the poor, and the other from the nonaged nonpoor to the aged nonpoor.

Benefits and costs of growth in SCI

In order to assess what the expansion of SCI accomplished in the period between 1950 and 1978, Lampman lists the benefits and costs commonly attributed to the growth of SCI, and compares what they are today with what they would have been, had we been spending the same proportion of GNP on secondary consumer income as we were in 1950.

Benefits

The goals that have been advanced by proponents of the system are the following:

1. Reducing income insecurity. Social security, disability and unemployment insurance, and private pensions have been directed toward this goal.

2. Reducing insecurity with respect to irregular and extraordinary expenditures. Education and medical care are the two leading categories of expenditures related to this goal.

3. Reducing income poverty. Some redistribution has been directed at reducing the number of people whose income, measured both in cash and in kind, is below a determined "poverty line" and reducing the poverty gap (the size of the shortfall between income and the poverty line for all poor people).

4. Sharing private contributions and tax burdens fairly.

5. Reducing income inequalities among groups, such as the aged and nonaged, blacks and whites, and intact and broken families, and reducing inequality between the rich and the poor.

6. Contributing to economic growth and stability. Education, better nutrition, health care, and improved housing are thought to increase the nation's stock of human capital. Stability is supposed to result from using the federal budget as a countercyclical tool: spending in a recession, building a surplus during prosperous times.

7. Improving the social and political environment. Lessened inequality of opportunity and greater security are said to reduce social tensions and hostilities and to redistribute certain freedoms.

Not only is there dispute over the extent to which these goals have been achieved, there is argument over whether they are appropriate goals in the first place. Some of these goals are in conflict with one another. For each putative goal, Lampman musters the arguments on both sides and weighs what evidence there is. And while he provides enough material to enable his reader to make evaluations, he does not back away from making his own assessments:

> We have moved from a less to a more insured world. A child born today has greater assurance than did his grandparent against the risks of income loss at each stage of life. He can also count on improved access to such key services as education and health care.

He further argues that income poverty has been reduced somewhat, because the share of SCI benefits going to the poor rose from 28 percent in 1950 to 33 percent in 1978, while the percentage of the total population in pretransfer poverty fell slightly during the same period. As for the rest of the goals, he is not so sure (see Table 1).

Costs

As he does for benefits, so Lampman does for costs. The actual amount of SCI cash benefits is not a social cost, since it is simply a transfer of money income from one group of households to another. The costs are assumed to be the following:

1. The resources used for collection and compliance, and for administering programs.

2. The shifting of potential productive labor into nonmarket activities such as going to school, home production, and leisure.

3. The loss of productivity per hour at work.

4. Reallocation of resources to the provision of additional health care, education, and other SCI goods and services.

Lampman attaches numbers to these costs, a task that requires exploring unknown corners of economic theory and dealing with many unanswered questions. Take the cost of the loss of productivity per hour at work. Although the benefit of education is thought to greatly enhance productivity, it has been argued, on the other side of the coin, that SCI contributes to a fall in productivity because there is less capital formation, which results in less capital per worker. The reason given for less capital formation is that workers with social insurance have less need to save for a rainy day and less money to save, since they pay higher taxes, and therefore personal savings decrease. But people save for many reasons, of which economic security is but one. And in fact econometricians have as yet failed to agree on what effects social security has had on savings. What is known is that private pension plans have produced savings in the form of huge financial reserves ($212.6 billion in 1975). This leads Lampman to conclude: "Personal savings might have

Table 1
Social Benefits and Social Costs in 1978 Attributable to Changes in SCI, 1950–78

Item	Added Benefit	Added Cost
Nonquantifiable items		
1. Reduction of insecurity with respect to income loss	+	
2. Reduction of insecurity with respect to irregular and extraordinary expenditure	+	
3. Reduction of income poverty	+	
4. Fair sharing of SCI taxes and contributions	0	
5. Reduction of income inequality	+	
6. Improvement of the social and political environment	+ or -	
7. Total of nonquantifiable benefits (items 1-6)	+	
Quantifiable items		
8. Production increases due to improved education, health, and economic security of the work force	4% of GNP	
9. Production increases from more effective automatic stabilization	0	
10. Collection, compliance, and administrative costs		1% of GNP
11. Loss of GNP due to reduction of hours at work, adjusted for positive value of extra non-marketed time		2% of GNP
12. Loss of GNP due to reduction of productivity per hour at work from less capital per worker		0
13. Reallocation of resources to selected goods, adjusted for positive consumer valuation of selected goods		2% of GNP
Summary items		
14. Quantifiable benefits (items 8 and 9) and quantifiable costs (items 10-13)	4% of GNP	5% of GNP
15. Total of nonquantifiable and quantifiable benefits (items 7-9) and total costs (items 10-13)	4% + ? of GNP	5% of GNP

Source: Lampman, *Social Welfare Spending,* Table 5.9.

been greater if taxes and social security had not risen, but they might have been smaller if private pensions had grown less."

Lampman's assessment of the social benefits and costs attributable to the 1950–78 changes in SCI is given in Table 1. He finds that the growth in GNP owing to more education, which increases productivity per hour of work, almost offsets all the social costs of the system.

> To get a strong positive benefit-to-cost ratio, one has to believe that the six nonquantifiable social benefits are sufficiently valuable to more than offset the remaining one percentage point of net quantifiable social costs shown in item 14. I, for one, have no trouble in believing that the reductions in insecurity and in income poverty (items 1, 2, and 3) are sufficiently valuable to do that. However, the main point of this exercise is to move you, the reader, to make your own benefit-cost calculation and to come to your own conclusions about whether the nation as a whole is better or worse off as a result of the great rise in SCI which occurred in the last three decades (p. 145).

Future directions

By putting the issues in historical perspective, Lampman shows us how our past choices led to our present social welfare system. By comparing our system with those used in other Western countries and examining the many changing factors (demographic and economic) that determine the need for interfamily transfers, he gives intimations of what the future may hold for us. The choices are ours to make. ■

New project
(continued from p. 12)

The concept of horizontal inequity will be analyzed by Robert Plotnick, University of Washington, who will compare five different measures of inequity as well as various measures of well-being.

Several studies will explore the relationship between trends in poverty and government policy. David Betson, Notre Dame University, and Jacques van der Gaag, the World Bank, will study how the design of an income transfer determines the behavior of the recipient. This work will test the labor supply and equity effects of alternative sets of guarantees and tax rates in the AFDC program. Edgar Olsen will examine the overall effects of government intervention in elementary and secondary education—by far the largest program of in-kind subsidies in the United States. Is it an efficient means of providing education? To what extent is it redistributive? And Michael Sosin will explore the advantages of delegating to the private social welfare agencies the task of providing emergency assistance. His study will provide information concerning the contribution of social welfare agencies in the private sector to economic well-being. ■

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