

How do Firms and the Economy Benefit from Parents?

Economist Nancy Folbre talks about parenthood as a part of the production process

[Zdravka Todorova](#) Nov . 10 . 2003

Feminist Economist Nancy Folbre gave a talk at UMKC on November 7, entitled "The Great Imaginary Strike of Parents and other Care Workers: An Economic Scenario."

Folbre used the concept of parents' strike as a metaphor. "I don't think that parents actually will ever go on strike if they are not paid to take care of their children - the nature of parenthood as an altruistic commitment would not allow this to happen." Dr. Folbre said.

The main thread in the talk was that parenthood contributes to the production process by assuming the cost of raising the labor force.

"Imagine that corporations are not hiring workers but are purchasing androids, and that an android takes 18 years to produce, not unlike a worker. What if somebody (families) are willing to produce androids for free, because they love androids and the process of producing androids ?!"

Folbre used the android analogy to illustrate the value that parenthood contributes to the economy.

"Imagine further", Folbre said, "that androids require new batteries every week. You can think of batteries as worker's wages. Given that families produce androids for free, employers utilizing androids do not have to do anything else except replacing the batteries (paying wages) - the android itself will be provided at zero cost."

Using this metaphor Folbre illustrated that the altruistic nature of families and child bearing lowers the cost for firms in acquiring workers (androids), and contributes to the economy as a whole.

"Classical political economy takes labor as the most important input into the production process. It looks at the difference between the value of the wages (batteries) and the value of what workers (androids) produce," Folbre explained.

"Feminist economists," Folbre added, "are looking at the difference of how much does it cost to produce the android (worker), and how does this cost change over time."

Randal Wray, UMKC Economics Professor, pointed out that "wages are reduced far below what is necessary to reproduce the family unit."

Folbre reminded the audience that "right now in economics most of the work on the family is done within the framework of Neoclassical economics, based on individual utility maximization," and not within classical political economy or feminist economics.

Neoclassical economic theory models child bearing decisions in terms of personal calculus of pleasure and pain. "By having a child, according to Neoclassical economics, you simply are revealing a preference for this particular expenditure," explained Folbre.

In this framework of reasoning, children are raised for "personal consumption," and utility maximization, hence the public should not be concerned with the child bearing process and cost.

On the other hand, if you look at parenthood as a part of the production process, which brings about the "production" of labor force, there is place for public concern about child and parent provisioning.

Nancy Folbre emphasized that she is interested in illustrating what firms and the economy as a whole would have to pay if parents stop providing child bearing "service".

Although the process of producing and reproducing the workforce is an essential part of the economy, "it tends to be excluded from consideration because it is not priced," said Folbre. "Such work seems to be invisible. One way to make it visible for public policy makers is to put a number (a dollar value) on it."

However, putting a monetary value on the cost of child bearing is not only technically difficult, but also raises philosophical and ethical concerns.

UMKC Economics Professor Fred Lee, questions this enterprise. He argues that since child bearing is non-market activity, there is no notion of "cost" in providing for children. "I have a problem," Dr. Lee said, "when somebody says that child bearing cost so much, I always thought that people who decide if they would have children on the basis of how much it will cost them, would need a psychological care."

Folbre argued that in the world we live in, "constructing estimates provide an important political tool." It would have not been necessary to put a price value on parenthood, "if we lived in a world, where children were well provided for, and in which there was enough public provisioning."

Wray pointed out that putting a monetary value on child bearing is "helpful for public policy formulation."

"We perceive child bearing as a a gift of nature – an altruistic motivation that underlies that parents are going to provide for. I do not quarrel over the motivation of parenthood - I value an altruistic motivation," said Folbre.

However, "The notion that we cannot put a price on that has been used as a way of concealing the tremendous lack of public support of children."

"The process of rearing children cannot be simply assigned to the individual parents. There has to be some mechanism for designing and enforcing social responsibility for child bearing," Folbre emphasized.

She argued that we cannot design a system like that unless we know how much parenthood contributes to the production process by assuming the cost of raising the labor force. "We cannot just sit back because this is not an economic issue," stated Folbre.

In her empirical work, Dr. Folbre combines the estimates of monetary value of parental time with estimates of expenditures on child rearing. "If parents put that money and invest it, and obtain a return of 5%, eighteen years later that money would be equal to \$272 643."

Thus, Folbre estimates the actual capitalized value of the expenditures on children by the average U.S. family, that individual parents assume. Hence, she estimates parents' contribution in monetary terms to firms and the economy as a whole.

James Sturgeon, Economics Professor at UMKC, pointed out that "it is almost amusing to think about the \$272 643 that we would have at the end of our life, if all of us choose not to have children. There will be nobody to produce the stuff for us to buy with that 'saved' money!"

"That is right. I think child rearing is a good example of coordination problems that individual

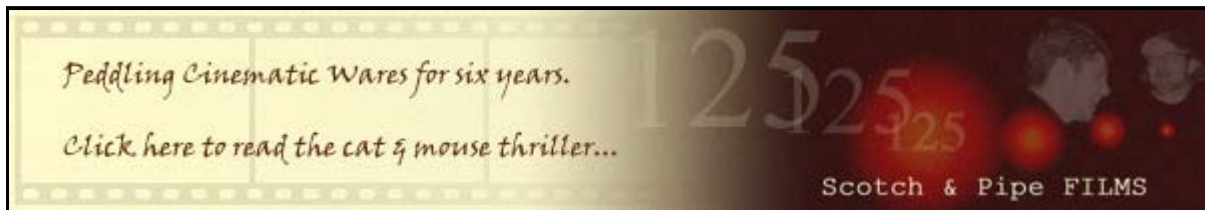
rationality cannot solve," said Folbre in agreement with Sturgeon.

Jane Wood, Director of the UMKC Women's Center told the KC Aurora that "Nancy Folbre's discussion, becomes even more significant given the current healthcare crisis in our nation."

Nancy Folbre is a Professor of Economics at the University of Massachusetts-Amherst, and is an Associate Editor of the journal Feminist Economics. Folbre authored the book *The Invisible Heart: Economics and Family Value*, which deals with the non-monetized aspects of caring labor and its relation to free markets and the pursuit of self-interest.

Folbre's talk at UMKC was sponsored and organized by The Women's Center, the Department of Sociology, Criminology & Criminal Justice, Women's and Gender Studies Program, and the Department of Economics at UMKC.

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