

the LEDGER

economic education newsletter

Homemaking: An Economic Perspective

Teachers might use the following article as an interesting supplement to a classroom unit on the market system. The article discusses the economics of homemaking as a service which is not bought and sold in the market and thus not given a market price. Follow-up classroom projects are suggested at the close of the article; see the first two items in the "Multi-media" section for related materials.

Our society has by custom assigned the economic function of breadwinner to men and that of homemaker to women. In recent decades, women's economic role has changed: more and more women have begun to work outside the home and share the responsibility for supporting the family. In the majority of households, however, women continue to hold the primary responsibility for homemaking, whether or not they are members of the labor force.

The traditional division of economic roles between the sexes is a product of industrialization. In frontier America, the dominant economic unit was the self-sufficient family farm. Family members jointly produced food and almost all household goods, such as clothing and furniture. Money income was small and came from the sale of household-produced goods. People often relied on simple barter to obtain other needed commodities. Although men and women specialized in certain tasks, they shared responsibility for the household's economic survival.

Industrialization shifted the basic unit of production from the home to the factory. Men followed production and took jobs outside



the home. They became the principal source of the money income needed to buy the goods and services no longer produced by the household. Women's place became the home and their work the care of the children and the household. The household itself, no longer the basic workshop of production, became primarily a consuming unit.

This change from a self-sufficient, agricultural economy to a highly interdependent, industrial one caused money to assume its present importance not only as a medium of exchange but also as a

standard of value. Our society tends to associate economic value with monetary worth. Because homemaking does not carry a price tag, its economic value is often unrecognized.

Thus the homemaker is usually regarded as "just a housewife." Her labor does not qualify as work, which is traditionally defined as paid employment. In addition, the extent of homemakers' economic contributions is not measured and therefore is not noticed. The gross national product (GNP), for example, which is the dollar value of our nation's total output of goods and services, does not include home-making's worth.

Homemakers, however, certainly do work in the sense of providing productive services which add to the total value of our economic output. In general, these services include the care and feeding of family members, the purchasing of consumer goods and services, and the maintenance of the household. Such services are clearly essential to the individual household's economic well-being. Moreover, these services add to the value of the household's real income, which is the total amount of goods and services consumed by the household.

Homemakers' work increases each household's real income and thus our total national output. Economists have devised several methods of estimating the dollar value of homemakers' labor. Most of the studies of household work which have been conducted thus far conclude that GNP would increase by at least 25 percent—or about \$350 billion—if it included homemakers' services.

One method of estimating homemaking's worth is the market cost approach, which applies the going wages for jobs such as cook or child-care worker to the same jobs performed by the homemaker. Studies using this method have found that the key variables in determining the market cost of homemaking in a particular household are the number and age of children in the home. Homemaking's market value is greatest when there are several young children in the household.

The market cost approach has several disadvantages. Since the same average wage rates are applied to all homemakers, the method does not allow for variation in the quality of individual homemakers' services. Further, some services performed by homemakers — for example, shopping for groceries — do not have a market equivalent. In addition, it is unrealistic to assume that if all homemakers suddenly became employed as cooks or child-care workers, the going wage for these positions would remain unchanged. As the supply of labor increased, unless the demand for labor also increased, the price of labor, or its wage, would tend to fall.

Another method of computing homemaking's value is the opportunity cost approach. This method is based on the concept that time is a scarce economic resource; the cost of using time in a particular way is the lost opportunity to use it another way. The opportunity cost of homemaking is the labor market earnings which the homemaker has foregone by choosing to work in the home.

Homemaking's opportunity cost is determined by factors which influence the homemaker's potential income in the labor force — such as age, education, training and experience. For example, since college graduates, in general, earn

more than high school graduates, the homemaker with a college degree pays a higher opportunity cost than does the homemaker with only a high school diploma. The opportunity cost approach thus provides the individual homemaker with a personal measure of homemaking's real value. The major drawback to this method is the assumption that market earnings would not change if all homemakers suddenly joined the labor force.

While neither the opportunity cost nor the market cost method yields a precise estimate of homemaking's value, the attempt to impute a dollar value to household work is useful. Such studies give at least some rough measure of homemaking's price in a society where virtually everything is valued in dollars. Information about the cost of homemaking can improve economic decision-making by both individuals and the government.

Individuals must decide how to allocate their scarce time and energy. In choosing between paid employment and household work, people need information about homemaking's value to make a decision on the basis of the true costs and benefits of each option. For example, a homemaker may value market work over household work because the former receives a monetary reward. If the real value of household work is actually greater than his or her market earnings, then the homemaker may not maximize his or her welfare by choosing to work outside the home.

At the government level, taking account of unpaid household work would improve the accuracy of GNP as an indicator of economic

growth. For example, under the present system of accounting, if many homemakers decide to join the labor force, GNP increases by the amount of their additions to output but is not reduced by the loss of their homemaking services. GNP thus grows more than is warranted by the net gain in output. Further, an objective measure of homemaking's value is important information in making decisions about government employment, tax and welfare policies.

SUGGESTED CLASSROOM PROJECTS

- Students might conduct a debate on the topic, "A Wage for Homemaking." Debators should address the following issues: (1) the costs and benefits for both the homemaker and society, (2) how to assess homemaking's value, (3) who should be responsible for the assessment and (4) whether the individual household or society should bear the cost of paid wages for homemaking.

- Students might try to calculate the value of unpaid work in their own households. They should begin by devising a chart which lists all family members and the various jobs done in the household. For a period of one to two weeks, the students should gather data on the amount of time each household member devotes to the different jobs. They should contact local public or private employment agencies to obtain the going wage rates for the household job categories. They can then compute the value of the unpaid work done in their homes. When the students have completed the project, they should discuss the accuracy of their results. □ □



From "Sally Garcia and Family," courtesy of Educational Development Corporation. This film, reviewed in the "Multi-media" section, deals with the homemaker's role in the American family.

Student Economics Conference Held



Senator Kennedy was the keynote speaker at a recent economic education conference.

High school students from eastern Massachusetts met at the Federal Reserve Bank of Boston on October 20 for an economics conference organized and run by fellow students. Both those who arranged the program and those who attended are members of the Student Advisory Council, a group of delegates from each high school in Massachusetts. The council advises the state Board of Education on educational policy.

The Massachusetts Economic Education Council and the Department of Education co-sponsored the conference, the purpose of which was to educate Student Advisory Council members about current economic issues. Senator Edward Kennedy, the keynote speaker, urged the students to acquire an understanding of economics as a basis for informed political decision-making. Kennedy stressed that the successful

solution of current political challenges, such as inflation and unemployment, will require a citizenry well-trained in economics.

The program opened with a panel discussion, entitled "Viewpoints on Propositions Thirteen and Two and One-half," which featured Richard Manley, president of the Massachusetts Taxpayers' Foundation, Richard Moore, a member of the Massachusetts House of Representatives, and four students.

Proposition Thirteen is the recently passed amendment to the California constitution which drastically limits property taxes in that state. Proposition Two and One-half refers to a bill which was proposed in the most recent session of the Massachusetts state legislature. The bill, which was defeated, would have reduced the Massachusetts property tax from its present average of four and one-half percent to no more than two and one-half percent of a property's fair market value.

Senator Kennedy's address concluded the morning session of the conference. The afternoon session took place at the Massachusetts State House. Students participated in discussion sections on taxation, energy, inflation and careers. The conference, the first such endeavor on the part of the Student Advisory Council, was considered to be highly successful.

Multi-media

Enterprising Women, written by Caroline Bird, published by W.W. Norton & Company, Inc. This book presents the economic history of America in terms of the contributions made by dozens of women, both well-known and anonymous. The author traces the development of broad economic trends as expressed in the lives of particular women. The biographies selected illustrate not only how certain aggressive women influenced economic affairs in nontraditional ways but also how the evolving home duties of women shaped American economic history. The

latter theme makes the book of particular interest to students who wish to explore further the historical evolution of homemaking. The 255-page book is appropriate for junior high and high school students.

Sally Garcia and Family, directed by Joyce Chopra, produced by Educational Development Corporation. This 16mm, color film deals with the social and cultural aspects of the homemaker's role in the American family. It is thus a useful supplementary resource in teaching about the economic aspects of homemaking. The 35-minute film is a documentary about Sally Garcia, a forty-year-old wife and mother of five children who takes a job as a community advocate after years as a full-time homemaker. The film explores in

depth how the entire Garcia family adapts to the new situation. The movie is appropriate for high school students and rents for \$30.00. For information about how to order, write: EDC Distribution Center, 39 Chapel Street, Newton, MA 02160.

Consumer Education Forum, published periodically by the American Council on Consumer Interests. This newsletter's purpose is to provide consumer educators with a forum to exchange news about their teaching experiences and techniques. Editor Nancy Spillman invites New England teachers to submit articles. Write: Nancy Spillman, Director, Center for Economic Education, Los Angeles Trade-Technical College, 400 W. Washington Boulevard, Los Angeles, CA 90015.

New England Update

CONNECTICUT

The **Center for Economic Education at Central Connecticut State College** will sponsor an awards program for economics materials developed by local teachers. If you would like to submit an entry, call Ronald Daigle at (203) 827-7318 for more details.

The Woodbridge School District has just joined the DEEP (Developmental Economic Education Program) network. As a cooperating DEEP system, Woodbridge receives a basic library of materials from the national Joint Council on Economic Education as well as consultant services from the Connecticut Council. Donna Maxfield is coordinating Woodbridge's economic education program.

MAINE

The Dexter Primary School is the first school in Maine to join the DEEP network. The **Maine Council on Economic Education** has been assisting teacher Carl Bucciattini in implementing Dexter's DEEP program.

On December 2, the Maine Council will hold a workshop on the government regulation of public utilities at the Orono campus of the University of Maine. Speakers will be Ralph Gelder, chairman of the Maine Public Utilities Commission, Charles Monty, senior vice president of the Central Maine Power Company and David Fox, president of Fox and Ginn Trucking Company. Contact Robert Mitchell at (207) 581-7067 for further details.

MASSACHUSETTS

The **Economic Education Council of Massachusetts** regretfully announces that Thomas Curtin, executive director, will retire on January 10. The search committee appointed to replace Dr. Curtin requests recommendations. If you would like to suggest a potential candidate, write: Lincoln Filene Center, Tufts University, Medford, MA 02155 or call: (617) 628-5000 ext. 535.

This fall, the Council co-sponsored with the Massachusetts Department of Education two student conferences on "Youth in the American Economy." One conference was held on October 20 at the Federal Reserve Bank of Boston; the second took place on November 3 at American International College, Springfield. (See article on student economics conference in this issue.)



Senator Kennedy addresses students at a recent economics conference.

The **Center for Business Information**, located in Worcester, maintains a library of films, slides and teaching units pertaining to economics. Teachers may borrow the materials for classroom use; a small service fee is charged for the loan of films. To obtain a catalogue, call Eleanor Voisiniet at (617) 754-9425. Call Ellen Ceneak at the same number for information about other services, such as courses and field trips, offered periodically by the Center.

NEW HAMPSHIRE

The **New Hampshire Council on Economic Education** reports that two new members have been elected to its Board of Directors: Alan Bryant, personnel manager of the General Electric Company in Somersworth and Charles Warden, dean of the Whittemore School of Business and Economics, University of New Hampshire.

RHODE ISLAND

On January 26, the **Rhode Island Council on Economic Education** will host a lecture by G. William Miller, chairman of the Federal Reserve System's Board of

Governors. Mr. Miller will speak about current economic issues. Teachers and students who would like to attend should contact Aggie Johnson at (401) 456-8037 for more information.

VERMONT

Econ Trek, the Vermont Economic Education Project, is co-sponsoring, with the Vermont Bankers Association and the Associated Industries of Vermont a program of open house workshops at local banks throughout the state. The remaining workshops are scheduled on November 28 at Chittenden Trust in Burlington, on November 30 at the Northfield Savings Bank in Waterbury and on December 6 at the Community National Bank in Derby. If you would like to attend, call Malcolm Severance at (802) 656-4017 for more information.

Econ Trek also reports that three new teaching units are available: two high school units for the Econ Trek programs, "Men of Stone" and "You Can't Get There From Here," and one elementary unit for the television series, "Trade-offs." To request copies of the materials, write: Econ Trek, Continuing Education, Grasse Mount, University of Vermont, Burlington, VT 05405.

the LEDGER

Editor: Nina Gillman
Graphics Arts Designer: Anne Belson

This newsletter is published periodically as a public service by the Federal Reserve Bank of Boston. The reporting of news about economic education programs and materials should not be construed as a specific endorsement by the Bank. Further, the material contained herein does not necessarily reflect the views of the Federal Reserve Bank of Boston or the Board of Governors. Copies of this newsletter and a catalogue of other educational materials and research publications may be obtained free of charge by writing: Bank and Public Information Center, Federal Reserve Bank of Boston, Boston, MA 02106, or by calling: (617) 973-3459.