CHAPTER 6

The Problem of Studying "Economic Man"

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Feminists are familiar with the androcentric biases of the disciplines which have something to say about women's condition. The power which these disciplines have, in simply defining what they see as the problem and then explaining the issues with a male concept of society and social relationships, is well known. Feminist criticism has put us on our guard against accepting the well established viewpoints of literature, history, medicine, psychology, and even politics. But no one has written about the biases of one of the most thoroughly male of all disciplines-economics. Of course, women, like most men, tend to distrust economists and economic analysis; nevertheless the discipline itself has had extraordinary power, both to shape social institutions according to its own objectives, and to instill in the subconscious of individuals an analytical approach which inevitably leads to conclusions based on apocryphal notions about human behaviour.

The point to be developed is that economics has evolved a methodology which for the most part cannot "see" women's economic behaviour. However, when women's economic behaviour does conform to that which theory can say something about, the assumptions on which the theory is based are false. In short, economic theory has little that is useful to say either about what is happening to women in the economy or why it is happening. My criticism will focus on the theories of neoclassical economics because of their dominant position in economic literature, economic departments in universities, and in social policy. Neoclassical methodology is studied by all students who enter the discipline, and even if they do question its assumptions in later life, a certain amount of mental baggage is retained so that its notions pervade even new fields of economic consideration such asthe problem of discrimination, an issue which will be discussed later.

Economists have defined their area of study very widely. One of the most famous definitions is that of Alfred Marshall, the father-figure of neoclassical thought: "Political Economy or Economics is a study of mankind in the ordinary business of life; it examines that part of individual and social action which is most closely connected with the attainment and with the use of the material requisites of well being."[1] The ordinary business of life takes in quite a bit of territory, and with such an inclusive definition one would be tempted to think that "mankind" is used in the generic sense-it is not. The real range of the subject is clarified by Marshall when he says it is concerned "chiefly with those motives which affect,

most powerfully and most steadily, man's conduct in the business part of his life."[2] Economists can deal with "facts which can be measured and recorded" and problems which "relate specially to man's conduct under the influence of motives that are measured by a money price."[3] However, there is a great deal of the ordinary business of life which does not lend itself to being measured by a money price. The way economists have coped with this fact has been to assume that although a facet of life does not have a money value established directly on the market, it can nevertheless be determined indirectly by the market value of what one must forego in order to pursue or realize a non-monetary objective.

Some economists have felt that a definition of economics which sees the discipline as dealing with the material requisites of well-being is too restrictive. In an attempt to make the subject include choices between the economic and the non-economic, Lionel Robbins introduced the notion of scarcity as the distinctive feature of the discipline. He defined economics as being "concerned with that aspect of behaviour which arises from the scarcity of means to achieve given ends."[4] With this definition, presumably, the discipline was interested in the economic problems both of the individual and of social economic behaviour on markets.

Paul Samuelson, in his textbook for first year students, restricts Robbins' definition by adding the materialist definition. But he claims it is a definition of the subject on which economists basically agree: "Economics is the study of how people and society end up choosing, with or without the use of money, to employ scarce productive resources that could have alternative uses, to produce various commodities and distribute them for consumption, now or in the future, among various persons and groups in society. It is necessary to pursue the way economists define their field since they claim to study society in a way which would include the economic activities of everyone in the society, including women.[6] There is a tendency for economists to see their analysis as having the widest application to human behaviour and to include activities which do not at first glance appear to be economic.? While most of the nitty-gritty of economic analysis deals with the market mechanism, the economists, by defining the scope of the profession widely, use the tools they have developed to explain the market to deal with non-market areas. There are two significant issues hereto be discussed : first, that economists are relatively uninterested in non-market behaviour, although they believe that their methodology is sufficient to analyze it should they wish to do so; and second, that the tools which have been developed to explain market behaviour are exceedingly blunt instruments for an analysis of non-market behaviour.

By now, people interested in the study of women are attuned to the fact that the productive nature of most women's work is not counted by economists. Women's economic behaviour as consumers within the "household" generates some interest, but basically the household is viewed as a unit of consumption, not production. Having noticed that excluding women's housework from economic accounting (GNP) creates some problems, economists usually express their regret with a little exclamation point after having repeated A.C. Pigou's puzzled observation that if a man married his housekeeper the GNP goes down! "Or if a wife arranges with her neighbour for each to clean the other's house in return for $5,000 a year, then the GNP would go up by $10,000."[8] But the problems of trying to count non-market work, while not insurmountable, are clearly not considered worth the effort; as Samuelson explains, "So long as the number of women working at home does not change much in relative importance, the ups and downs of GNP will be about the same whether or not we count in this or similar items such as home-grown vegetables and other do-it-yourself activities."[9] Unfortunately, he doesn't discuss how one knows whether the relative importance of what is going on in the household changes if no one measures its productive activity. The implication here, too, is that women's housework is roughly of the same proportions as work involved in hoeing the carrot patch or messing around on the tool bench. In fact, housework is the single largest "industry" in terms of the number of people working at it, and estimates of its value range from one-quarter to one-half of the gross national product.[10]

But what are the consequences of excluding housework from the GNP? Would including the value of this work be anything more than a symbolic gesture in recognizing women's work as productive activity? Its juridicial significance isoften recognized, particularly for evaluating matrimonial property settlements, pension benefits, entitlement to family wealth, and even as a measure of value should the issue of wages for housework become a reality." But women's work has economic significance as well: excluding such a huge part of economic activity from economic accounting imposes serious limitations on the validity of what is counted. It also raises questions as to what we know about how effectively the system allocates

resources. If a productive activity is not counted, then neither is the cost of that production. Efficiency is an important issue for economists, and it can be determined only if total production and total costs are known. For example, if total production increases even though there has been no change in the number of the factors of production used, then the economy has become more efficient, and presumably welfare increases. Both the total amount of production and the efficiency of production are critical indications of an improvement or worsening of the economy. If economics is really concerned with notions of efficiency and employing scarce productive resources to alternative ends, it cannot confine its analysis only to those alternative ends which can be given a value through the market.

By not counting the nature of production in the household, society does not know the cost or benefits of that production, and is thus not able to make rational decisions about alternative uses of resources. For example, because all economic activity within the household is treated as consumption, items like washing machines and stoves are not considered factors of production, hence are not costs of production. There are huge capital costs involved in having kitchens, laundries and playrooms in each individual household, just as there are huge expenditures of labour involved in raising children one at a time by one adult. However, by simply labelling this activity as consumption, the economist is able to say that activity within the household is rational because the household is maximizing its own total utility. But clearly, if this activity were considered as part of the production process, its rationality would be examined in a different way. The fact is that economists have no way of dealing with efficiency outside the market mechanism unless they look at an economic unit in isolation.[12] The whole significance of a market equilibrium (i.e., the optimum use of resources in the economy) becomes quite meaningless if a huge portion of economic activity is not part of the calculation. The policy implications of not seeing activity in the household as production are significant for women because alternatives to production in the home (for example, day-care centres) will be considered only in terms of the cost and benefits of their impact on the market; not in consideration of the total use of resources.

While women's economic behaviour in the household has not been integrated into mainstream economic analysis, this does not mean that neoclassical theory is felt to be inadequate to deal with the issue. When the household is examined, the same methodology which is used to explain market behaviour is applied. My contention is that there are serious difficulties in using an analysis which was designed to explain market behaviour to explain non-market activity as well. Economic theory is based on a notion of human behaviour which in the early days of neoclassical theory building was given the label "economic man." Economic man is a fantastic creature whose wants are insatiable and whose capacity for calculation is perfect. His motivition for action is gain, so he will be consistent in his choices and will "maximize" everything. Over the years, economic man acquired a rather nasty reputation as a money-grubbing individual whose whole system of values is directed by the profit motive. So economists for some time, mostly for publicity reasons, have avoided the term "economic man": they try to emphasize that they do not believe that a money profit is the sole motive for anyone's behaviour. Nevertheless, the idea of maximizing utility remains fundamental to neoclassical economic theory: on the market the central assumption is that producers will be profit maximizers and consumers will be pleasure maximizers.

This discipline of maximizing gain, which is so critical to a market analysis, is assumed to apply to all behaviour whether or not the ultimate objective is measured in terms of psychic happiness or monetary rewards. In order to maximize behaviour, individuals must be able to determine the relative utility of all possible courses of action and make choices so that total utility is maximized. If this can be done (and economists have no doubt that it can), then the economist feels that emotional needs can be compared with material needs and decision-marking in the market can be compared with decision-marking in the household. So the most basic assumption on which a neoclassical analysis of the household rests is that decision-making is not markedly different within the household than it is on the market. This is a heroic assumption about the nature of human motivation which is treated as constant through time, but which became true even of market behaviour only after a considerable period of discipline. It is likely that the motivation necessary for the successful functioning of the market system was learned behaviour: that is, the economic calculations of individuals are not governed by an immutable natural law but are culturally determined. Karl Polanyi maintains that the great transformation in society brought about by the domination of the market was the change in the motive of action from one of subsistence to one of gain."' Other

economic historians have shown that this change was not a natural process and that participants on the market, particularly workers, resisted being motivated by gain." If the motive of gain is an economic law peculiar to market behaviour, then any theory which bases its analysis on this assumption but applies it to a non-market situation is beginning with a very questionable premise. Yet any analysis of economic behaviour in the household has this premise as its underpinning. Understanding the assumptions used to explain household behaviour becomes particularly important now as economists are more interested in determining how time is allocated between market and non-market activities. When it is assumed, for example, that the allocation of time within the household or between the household and the market is based on maximizing total utility, then it is fairly easy for the economist to show that the division of labour by sex within the household is the result of a purely rational economic calculation.[15] The social implications are significant: if behaviour is based on some economic law, then what exists is rational and becomes a powerful argument for justifying the *status quo.*

The analysis of household behaviour, particularly with regard to problems of production, is not an issue with which an economist would normally deal. However, in those few cases when the household is examined, it is approached with premises assumed valid for market behaviour. I maintain that these do not necessarily apply to behaviour within the household-behaviour which has not been made to conform to the requirements of the market. But the examination of economic behaviour within the household does not rely simply on the assumption of gain as the motive to explain the relationship between the household and the market. It is also dependent on other tools which neoclassical economics has developed to explain the market mechanism. The most important of these is the explanation of the distribution of income.

When women work for money, their activity comes under the scrutiny of mainstream economic analysis. One issue we might expect an economist to clarify is why women are paid less than men. Neoclassical analysis tells us that except in unusual circumstances we are paid exactly what we are worth. The notion that the wage paid is really indicative of the worth of labour is a belief of our society which has been "proven" by economic science. The theory of wages rests on the economic proof that in normal circumstances, when the market is in equilibrium, workers will be paid a wage equal to their marginal productivity.[16] So if a woman is paid less than a man, it is basically because she is less productive. This conclusion also involves an important assumption about the nature of the market itself-that it is perfectly competitive. Now, no economist today would actually claim that perfect competition exists, rather it is seen as an abstraction where all kinds of inconvenient, distracting complications like unemployment are removed so that the basic mechanism of the market can be explained. A perfectly competitive economy is one where all economic units are small enough so that no one individual or group of individuals can have an effect on the price. It is a market where, among other things, there is total freedom of contract, labour is perfectly mobile, and full employment is the rule. Everyone gets a wage exactly equal to the value of his labour because any wage less than that would force the individual to seek out another employer-one who was behaving more rationally. In a perfectly competitive market, an employer who tried to pay some workers a wage less than the marginal productivity of their labour would have to accept aa lower profit because he would be forced to operate with a. smaller labour force at a scale of production which was less than optimal. To the neoclassical economist, discrimination is an irrational economic action for which the discriminator pays by receiving a lower profit.

Much of the prejudice regarding the worth of female labour stems from the notion of neoclassical economists, based on the assumption of perfect competition, that labour will be paid a wage equal to its marginal productivity. This idea has so permeated the thinking of society over such along period of time that it has become a difficult mental hurdle to dissociate women's wage from the true value of women's work. Economists who are interested in the problem of discrimination (it is still considered a fringe field) are still firmly in the grip of the neoclassical model and cannot quite comprehend why competition does not eliminate discrimination in the long run."' In the short run, prejudice (which the economist tactfully labels "taste") might permit discrimination, but in the long run, prejudice would constitute extremely irrational economic behaviour.

Neoclassical economic analysis, then, explains wage differences between men and women as arising either from differences in the productivity of labour or from economic man not behaving true to form. Of course this analysis flies in the face of reason and (to echo Galbraith) is the sort of thing

one can believe only after very careful training. We would suspect that someone must be profiting from paying lower wages to women, but neoclassical analysis will not let us come to that conclusion. The neoclassical explanation of wage differences has had ramifications both for an analysis of women's condition and for political action. If wage differences are a result of differences in productivity, then a great deal of effort must be expended to discover what causes these differences in productivity. This gives rise to the whole supply-side analysis of female labour which explains female labour force participation rates and wages according to characteristics of their labour supply. The explanation for women's lower wages is that women's labour is not invested with as much human capital as is men's labour. So improving the quality of female labour and making women more attractive as workers will eliminate the problem. Practically, this leads to all sorts of policy initiatives of questionable efficacy,"' but particularly important is the notion that it is the individual woman all by herself who can determine her employment fate.

Feminists tend to be skeptical of an analysis which explains total wage differences between men and women on differences in productivity. With the neoclassical model this leaves only one other conclusion: that discrimination is simply an irrational, anachronistic practice; a matter of prejudice, and not a structural feature of the system. This is comforting to some because it implies that, in fact, equality between men and women is perfectly compatible with the economic system it is just that some people are not behaving rationally, so it is necessary to point out to them that discrimination is bad business; when everyone understands this, there will be no problem.

The conclusions of neoclassical analysis are perfectly correct if the assumptions on which the analysis originates are true. I maintain that the theory takes as "given" precisely those conditions which most affect female labour. For example, theory states that the total number of labourers is given. J.R. Hicks explains this by saying that any question of changes in the total numbers of workers available "is one which modern economists are content to treat as lying outside the theory of wages. It may be regarded as belonging to the theory of population."" ' The best neoclassical theory can do is to tell us that with a given labour force the number employed will vary directly in response to changes in the real wage (which is equal to the marginal product). If people are unemployed, then it means they are unwilling to accept the wage they are worth. Of course the validity of the theory of the direct relationship between the level of employment and the real wage in all instances was disproven by Keynes some time ago, but it still remains a basic assumption of all neoclassical explanation of wage differences. For women, one of the most important issues is why the size of the labour force changes; this is an issue which economics feels is beyond its purview. If the size of the labour force varies and unemployment does exist, which we know it does, then the whole framework of assuming that employers are competing against each other for scarce workers simply is not true: the result is that the whole neoclassical analysis falls. While the most serious problem with neoclassical analysis is the assumption that the size of the labour force is given and that full employment will be the normal condition of the economy, there are other assumptions of the model which are specifically unrelated to the conditions of female employment. These are the assumptions of freedom of contract and mobility of labour. Women, for most of the history of industrialized countries, have been restricted from access to all but a handful of jobs, so freedom of contract cannot be seen as ever having applied to the condition of female labour. Female labour, particularly for married women, is also severely restricted in its mobility, so the notion that labour is free to move from place to place in search of the wage equal to its marginal productivity is ludicrous when applied to women in general.

That pure competition has been an approximation of any real condition is doubtful; but as an approximation of the female condition of the market, it is surely false. Women simply have not had access to the market under the same conditions as men, yet this fact is not recognized by economic analysis. For example, Alfred Marshall, that pioneer of neoclassical thought, was one of the most ardent defenders of a free unfettered market, yet he clearly did not understand that his view of women was a contradiction of this notion. Beatrice Webb describes a conversation with him in which he expressed his views.

> It opened with chaff about men and women : he holding that woman was a subordinate being, and that, if she ceased to be subordinate, there would be not object for a man to marry. That marriage was a sacrifice of masculine freedom, and would only be tolerated by male creatures so long as it meant the devotion, body and soul, of the female to the male. Hence the woman must not develop her faculties in away unpleasant to the man; that strength, courage and independence were not attractive in women; that rivalry in men's pursuits was positively unpleasant. Hence masculine strength and masculine ability in women must be firmly trampled on and boycotted by men. *Cofitiust* was the essence of the matrimonial relation; feminine weakness contrasted with masculine strength: masculine egoism with feminine self-devotion. If you compete with us we shan't marry you, he summed up with a laugh.
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> (Webb 1971:350)

There is a real danger when neoclassical ideas are used by economists who appear to be sympathetic to women and who seem to want to truly understand the economic condition of women. Ultimately, they merely reinforce the androcentric view of female behaviour. All of the economic theories of discrimination use the neoclassical methodology without questioning its assumptions.[20] In addition, the neoclassical theories about how individuals in the household allocate time between the market and the home, and between the sexes, is predicated on the market as being perfectly competitive.

The neoclassical model was developed with a blind eye toward women. Women's economic activity was not a part of the original conception of the model, and fitting them in the existing analysis now does not work. The methods are simply misleading when they try to explain why women earn less than men, why more woman are working for pay, why women do some jobs and men others, and why women do housework.

FOOTNOTES

1. Alfred Marshall, Principles of Economies (London: Macmillan, *1927),* 8th edition, p. 1.
2. *It) id, p. 14.*
3. *Ihicl, p. 27.*
4. Lionel Robbins, *Au Essay on the Nature & Significance of Economic Science* (London: Macmillan, *1935),* 2nd edition, p. 24.
5. Paul Samuelson, *Economics* (Montreal: McGraw-Hill, *1976),* 10th edition, p. 3.
6. Jacob Viner is a notable exception to this. For him, "economics is what economists do," quoted in Kenneth Boulding, *Economic Analysis* (New York: Harper & Brothers, *1948), p. 3.*
7. Gary Becker, for example, states most explicitly that economic theory is well on its way "to providing a unified framework for *all* behaviour involving scarce resources, nonmarket as well as market, nonmonetary as well as monetary, small group as well as competitive." "A Theory of Marriage: Part I" in *Journal of Political Economy,* July/August *1973, p. 814.*

8. Samuelson, *op. cit., p.* 199; also Richard G. Lipsey and Peter 0. Steiner, *Econom ics* (New York : Harper & Row, 1966), note 4, p. 151.
9. Samuelson, *op. cit., p.* 199. This is a point of view which is echoed even by women who are sympathetic to the inclusion of housework in the GNP. Gail Cook and Mary Eberts say "since activity within the household does not change markedly over the period of business cycles, its inclusion has not been essential to appropriate policy decisions." Cook and Eberts, "Policies Affecting Work" in Cook 1976:146.
10. A.B. Atkinson, *The Economics of Inequality* (Oxford: Claredon, 1975), p.164.; John Kenneth Galbraith, *Economics and the Public Purpose* (Boston: Houghton Mifflin, 1973), p. 33. In Canada, the estimates of the value of housework range from 34-40% of GNP, depending on the method of calculation used. See Hawrylyshyn 1971:33.
11. Judith Alexander, "Women and Unpaid Work: The Economic Consequences" in *Atlantis,* Spring 1979, pp. 204-5; Cook & Eberts *op. cit., p.* 147; Hawrylyshyn 1971:10.
12. This is not a problem which is peculiar to capitalism. Market analysis is so central a part of economic thought that even socialist economic theory does not escape it. In socialist economic theory there is no *theoretical* basis for rational economic decision-making without a market mechanism, and so far the only solution to this is to treat non-market economies as if their activity were governed by a "shadow" market. See Oskar Lange and Fred Taylor, *On the Economic Theory of Socialism* (New York: McGraw-Hill, 1964); also J.G. Zielinki, *On the Theory of Socialist Planning(Ibadan:Oxford* University Press, 1968).
13. Karl Polanyi, *The Great Transformation* (Boston: Beacon Press, 1957), p. 158.
14. Sidney Pollard, *The Genesis of Modern Management* (London: Edward Arnold, 1965), Chapter 5; E.P. Thompson, *The Making of the English Working* Class (Harmondsworth : Penguin Books, 1963). especially Chapter 6; Harold Perkin, *The Origins of Modern English Society 1780-1880* (London: Routledge & Kegan Paul, 1969), especially Chapter VIII.
15. See Gary Becker, "A Theory of Marriage: Part I" and "A Theory of the Allocation of Time" in *The Economic Journal,* September 1965, pp. 512-516.
16. For those who have managed to avoid all economic courses, or who have suppressed the experience, the term means that workers will be paid a wage equal to the value of the increase in total production as a result of their labour.
17. FrancineD. Blau and Carol L.Jusenius, "Economists'Approaches to Sex Segregation in the Labor Market: An Appraisal" in Blaxall & Reagan 1976:185. For an explanation of the economists' difficulty, see Kenneth Arrow, "Economic Dimensions of Occupational Segregation : Comment I" in Blaxall & Reagan 1976.

18. Isabel V. Sawhill, for example, feels that special programmes should be designed for inexperienced workers. What she has in mind are "special apprenticeships at below-market wage rates" so that employers would have an incentive to hire workers they normally discriminate against. "On the Way to Full Equality" in Cohn 1979:46.
19. J.R. Hicks, *The Theory of Wares* (London : Macmillan, 1963), 2nd edition, p. 2.
20. Specifically I am referring to the following approaches to discrimination: the crowding hypothesis explained by Barbara R. Bergman, "The Effect on White Incomes of Discrimination in Employment" in *Journal of Political Economic,* March/April 1971; the human capital approach found in the work of Gary Becker and Jacob Mincer; the statistical theory of sexism of Edmund Phelps; and the internal labour market approach of Blau and Jusenius.