

# CHAPTER 15

## THE CORE SPHERE: HOUSEHOLDS AND COMMUNITIES

*Microeconomics in Context* (Goodwin, et al.), 2<sup>nd</sup> Edition

### Chapter Summary

This chapter addresses the important economic activities of households and communities, the historical shifts that have moved many traditional core activities from non-market to market arenas, and contemporary strains in the relationship between market and non-market work. In this chapter, you will learn some important (and perhaps surprising) facts about pay scales, social services, and other key economic factors in the United States. You will also learn about some of the approaches that economists have developed for analyzing the economic decisions that occur within individual households.

### Objectives

After reading and reviewing this chapter, you should be able to:

1. List the functions of the core sphere.
2. Describe the data collected in the United States and internationally regarding the core sphere.
3. Discuss the historical development of the core sphere, including the cult of domesticity, the increasing entry of women into the paid labor force in the 20<sup>th</sup> century, the persistence of discrimination, and the crisis in caring labor.
4. Describe employer and government policies designed to improve the well-being of the core sphere.
5. Define the “glued together” family theory of household behavior and discuss its strengths and limitations.
6. Define the dictatorship theory of household behavior and discuss its strengths and limitations.
7. Define the specialization and exchange theory of household behavior and discuss its strengths and limitations.
8. Define the bargaining theory of household behavior and discuss its strengths and limitations.

### Key Term Review

neighborhood effects

family

cult of domesticity

“pin money”

dictatorship model (of households)

threat point (or fall-back position)

household

time use survey

“family wage”

“glued together” family model

bargaining theory

## Active Review Questions

### *Fill in the Blank*

1. The effects on an individual of the local community to which he or she belongs are known as \_\_\_\_\_ effects.
2. A survey designed to find out how much time people spend in various activities is known as a \_\_\_\_\_ survey.
3. According to economist Gary Becker's model of household decision making, each household is assumed to include a decision maker referred to as the \_\_\_\_\_.
4. An alternative view of Becker's model of the family calls his model the \_\_\_\_\_ model of behavior.
5. James and John experience greater utility when they are together than they would if they were alone. James' utility level if he is alone can also be called his \_\_\_\_\_ point.
6. In the 19<sup>th</sup> century, women's wages were sometimes referred to as \_\_\_\_\_ money.
7. The simplest model of families, in which the whole family is assumed to act like a single individual, is sometimes referred to as the \_\_\_\_\_ family model.
8. Suppose you wanted to use a family model in which parents, children, and other family members were seen as different people who might have conflicting interests. For your analysis of this family model you would probably draw upon \_\_\_\_\_ theory.

### *True or False*

9. In more just over half of households of married couples with children under the age of 6, both parents engage in paid employment.
10. World-wide, almost 10% of the world's households contain adult women but no able-bodied adult man.
11. Most of the household theories presented in the textbook build in consideration of the special interests, needs, and vulnerabilities of children.
12. In bargaining theory, when two actors come to an agreement, both of them arrive at their fall-back position.

13. Bargaining theories of household behavior focus on the ways in which households negotiate with one another in a neighborhood, city, or other socioeconomic grouping.
14. According to Gary Becker's theory of family behavior, each household contains an "optimizer" who optimizes production and consumption decisions.
15. Most European countries offer longer parental and family leave periods than the U.S.
16. Most full-time workers in the U.S. are able to set their work hours flexibly to accommodate child care and other needs.
17. World-wide, men and women bring in roughly equivalent amounts of total money income.

*Short Answer*

18. According to time use surveys compiled by the U.N. Development Program, about how much of people's economically productive time is included in conventional production measures (such as GDP)?

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19. Briefly explain the meaning of the term "cult of domesticity."

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20. How are notions associated with the "cult of domesticity" reflected in the systems of national accounts (such as GDP) that we use today?

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b. Suppose Sally loses her job, thus decreasing her ability to purchase groceries of any kind. Label a possible new fall-back position for Sally.

c. On the graph above, highlight the new set of all points along the utility frontier where both John and Sally will be willing to come to an agreement.

### Self Test

1. Currently, about \_\_\_% of women and \_\_\_% of men over the age of 16 in the United States are in the paid labor force.
  - a. 30; 95
  - b. 80; 100
  - c. 50; 50
  - d. 60; 75
  - e. 40; 90
  
2. Which of the following is an example of an activity of the core sphere?
  - a. Child care in the home.
  - b. The final stage of production of many goods and services.
  - c. Decision-making about consumption.
  - d. Organization of the use of leisure time.
  - e. All of the above.
  
3. Which of the following is *not* an example of a neighborhood effect?
  - a. A mother cares for her children at home.
  - b. Teenagers from a relatively wealthy neighborhood have a high rate of acceptance at respected colleges.
  - c. All the children from a certain neighborhood perform below average on a standardized test.
  - d. Children raised in an affluent neighborhood have a greater likelihood of acquiring higher paying jobs.
  - e. Children who live in a neighborhood where Spanish is spoken are more likely to learn Spanish.

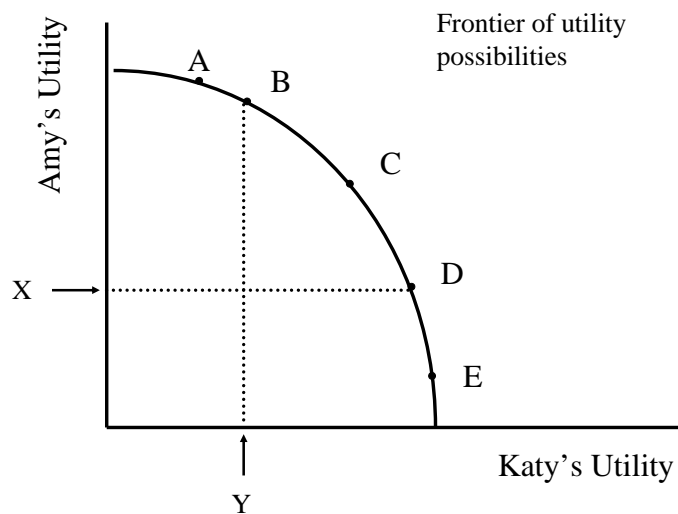
4. Which of the following activities might fall into the category of unpaid labor in a less-industrialized country?

- a. producing food
- b. obtaining drinking water
- c. caring for livestock
- d. producing clothing
- e. all of the above

5. All of the following are elements of the “cult of domesticity” except:

- a. Seeing men as better suited to business life.
- b. Seeing men as better suited to public policy activities.
- c. The stay-at-home wife.
- d. The dependent child.
- e. The core sphere as a center of economic activity.

Questions #6, #7, and #8 refer to the following diagram and scenario. (Note that bargaining models can be applied to cases other than marriages.)



Suppose that Amy and Katy run a graphic design business together. Points X and Y show the level of utility that Amy and Katy would achieve if each of them worked alone.

6. Which point on the utility frontier corresponds to Amy’s threat point?

- a. A
- b. B
- c. C
- d. D
- e. E

7. Which of the following statements is true?
- Amy and Katy will prefer working together if their utility combination is somewhere between point B and point D.
  - Amy and Katy will prefer to work together so long as their utility combination is somewhere between point A and point E.
  - Amy and Katy will only choose to work together if they can achieve the utility combination corresponding to point C.
  - Katy's threat point is point X.
  - Katy will *not* want to work with Amy if their utility combination is at point E.
8. Working from the same example as above, now suppose that Amy breaks her arm. She can still work effectively with someone else, but her productivity alone is now very low. Which of the following statements accurately describes Amy and Katy's new situation?
- Amy's threat point has risen.
  - Amy's threat point has fallen.
  - Amy's threat point has fallen while her fall-back position has improved.
  - Katy's threat point has fallen.
  - Both Amy and Katy have a new fall-back position.
9. The concept of a "family wage" refers to
- Pocket money for a married woman.
  - Earnings of all household members combined.
  - A concept also referred to as "pin money."
  - A wage set high enough to support a man and his dependents.
  - Any level of earning, if it is earned by a man.
10. Which of the following statements is accurate regarding the Personal Responsibility and Work Opportunity Reconciliation Act of 1996?
- It was popularly known as "Welfare reform."
  - It increased the requirements on poor mothers to engage in paid work.
  - It requires fathers to take greater responsibility for child support payments.
  - Both a and b are true.
  - a, b, and c are all true.
11. Which of the following statements supports the view that the "cult of domesticity" has not completely disappeared in the US?
- The Personal Responsibility and Work Reconciliation Act reinforced the idea that "work" is something that only occurs *outside* the home.
  - Labor market discrimination has been eliminated.
  - Official GDP statistics do not account for work in the core sphere.

- d. Nursing and child care jobs are now considered high-paying jobs.
- e. Both a and c are true.

12. In Spain, how many weeks of maternity leave are guaranteed to everyone at full pay?

- a. 0
- b. 4
- c. 8
- d. 16
- e. 32

13. In the US, how many weeks of maternity leave are guaranteed to everyone at full pay?

- a. 0
- b. 4
- c. 8
- d. 16
- e. 32

14. The model in which a family is portrayed operating as an individual, with a unified set of goals, is known as

- a. The dictatorship model
- b. The “glued together” family model
- c. The bargaining theory model
- d. The threat point model
- e. The altruistic model

Questions #15 and #16 refer to the following scenario.

Jane and Jim are a married couple. Each of them experiences greater utility as a member of the couple than he or she would alone.

15. Jim’s utility level if he were not married is

- a. His fall-back position.
- b. Jane’s threat point.
- c. Identical to Jane’s.
- d. Higher than Jane’s.
- e. Cannot be determined from the information provided here.

16. Suppose that Jim becomes disabled and can no longer earn a living. Jane is considering leaving him. Which of the following statements is true, based on the information given here?

- a. Jane's threat point has fallen.
- b. Jim's threat point has fallen.
- c. Jane's fall-back position has improved.
- d. Jim's fall-back position is unchanged.
- e. Agreements within the marriage are likely to turn out better than before, from Jim's point of view.

17. Which of the following situations might lower Jane's threat point?

- a. She gets a higher-paying new job.
- b. She inherits money from a distant cousin.
- c. Jim threatens to have her fired from her job if she leaves him.
- d. Jim gets a high-paying new job.
- e. Jane's adult daughter offers her a place to live.

18. Robert Putnam's book, *Bowling Alone*, argues that

- a. Americans have more social contact with one another than they used to have.
- b. Americans participate in more community groups than they did 100 years ago.
- c. Decreasing participation in community groups has led to declines in social trust and reciprocity.
- d. Americans waste increasing amounts of time on unproductive social activities.
- e. People with children spend more time socializing than people without children.

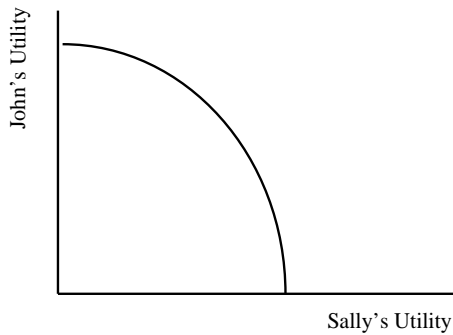
### Answers to Active Review Questions

- 1. neighborhood
- 2. time use
- 3. altruist
- 4. dictatorship
- 5. threat
- 6. pin
- 7. "glued together"
- 8. bargaining
- 9. True.
- 10. False. The figure is almost 1/3.
- 11. False.
- 12. False.
- 13. False.
- 14. False.
- 15. True.
- 16. False.
- 17. False.
- 18. Slightly more than half of the total time spent on economically productive activities is included in these measures.

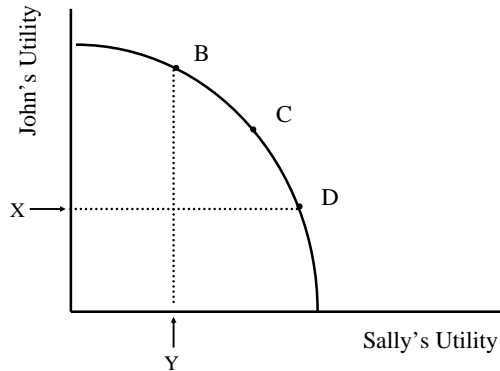
19. The “cult of domesticity” is a term used by historians to describe the ideology according to which business activities, market life, and public policy were the sphere of men, while women were better suited to take care of the home. The “cult of domesticity” also included the notion of childhood as a period of life meant for attentive nurturing and education, rather than a period of contributing to the economic well being of a household.
20. Systems of national accounts, such as GDP, were designed primarily to track activities outside the core sphere, excluding household and community production.

**Answers to Problems**

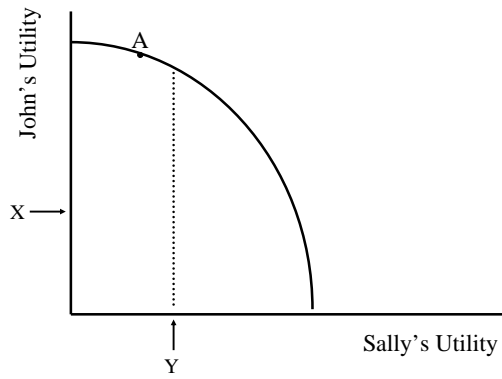
1. a.



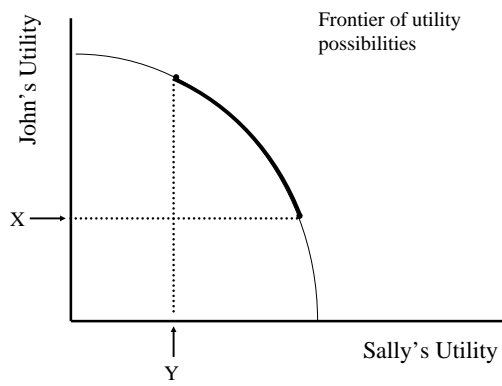
b. John will have utility X if he is not with Sally. Sally will have utility Y if she is not with John. Thus X and Y are John and Sally’s threat points, respectively.



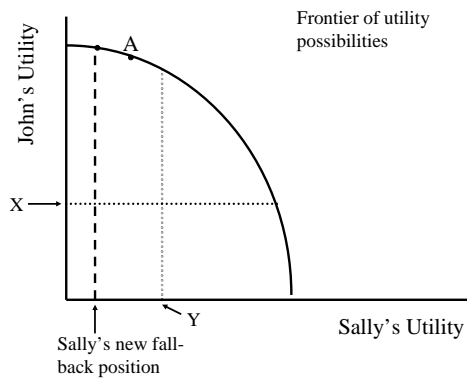
c. Point A represents an outcome that Sally will not accept.



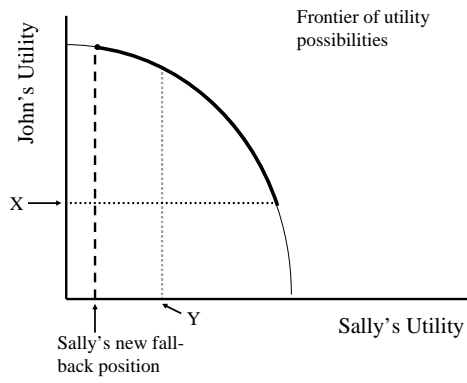
2. a.



b.



C.



### Answers to Self Test Questions

1. d
2. e
3. a
4. e
5. e
6. d
7. a
8. b
9. d
10. d
11. e
12. d
13. a
14. b
15. a
16. b
17. c
18. c