7. THE NEW HOME ECONOMICS AT COLUMBIA AND CHICAGO*

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ABSTRACT
This paper studies forty years of New Home Economics (NHE), a school of household economics started by Jacob Mincer and Gary Becker at Columbia University in the early sixties. Household economics is defined as economic research concerning decisions that household members make regarding any allocation of resources. These decisions may regard consumption, labor supply, transportation, fertility, or health. From studying the history of the NHE we learn that its growth benefited from the concentration of talent at Columbia, the diversity of a student body that included many talented men and women, a relatively high concentration of married students who tended to be more interested in household production, the proximity of research organizations in New York, an avoidance of political controversy, and a pleasant workshop atmosphere.

During the 1960s, a number of economists made the study of home production a central topic of interest, applying theoretical and econometric methods of analysis that had been developed for the study of production by firms. This research became known as the New Home Economics (NHE), a term emphasizing the contrast between new applications of economic analysis and the discipline of home economics.

*This is an abbreviated and corrected version of an article published in Feminist Economics, Vol 7, Number 3, November 2001, [copyright symbol] International Association for Feminist Economics 2005. Reprinted with permission from IAFFE. The original article can be accessed at www.feminist economics.org. I am grateful to Jacob Mincer and Gary Becker, two extraordinary teachers and mentors. Their uncompromising and spiritually uplifting demand for truth continues to inspire me. I thank Mincer, Becker, James Heckman, and some of their students at Columbia (Andrea Beller, Linda Edwards, Marjorie Honig, Sol Polachek, and Cordelia Reimers) for answering some of my questions; and Bina Agarwal, Andrea Beller, Barry Chiswick, Linda Edwards, Nancy Friebr, Andrew Foster, James Heckman, Evelyn Lehrer, Diana Strassmann, and Howard Yourow for useful comments.
established a few decades earlier by Hazel Kirk and Margaret Reid (see Evelyn Forget 1996, Yun-Ae Yi 1996, and Elizabeth Kiss and Andrea Beller 2000). The NHE transformed household economics by widening its application in the areas of labor economics, demographic economics, health economics, transportation economics, and public economics.

This chapter presents an account of the growth of the NHE in the sixties, when Columbia was the hub of NHE activity, and discusses some aspects of the development of household economics after 1970. This account is based on interviews and correspondence with Jacob Mincer, Gary Becker, James Heckman, and many of their students at Columbia, and is influenced by my experience as a household economist trained principally by Becker at Chicago in the 1970s. One of my goals is to show that the NHE had two fathers: Mincer and Becker. This chapter’s main goal is to list the factors that help explain why the NHE grew so rapidly in the 1960s.

7.1. THE SIXTIES: THE GOLDEN AGE OF THE NEW HOME ECONOMICS

The sixties was a Golden Age, not only for rock music and student revolutions. It was also a period of rapid growth for the NHE. In 1960, both founding fathers of the NHE, Jacob Mincer and Gary Becker, first publicized their ideas about applying microeconomic theory to explain household behavior. The NHE’s first publication is Becker’s (1960) economic analysis of fertility. For the first time, modern price theory was applied to the study of fertility. That same year, Mincer presented an enthusiastically received paper on women’s labor supply in a family context at a NBER meeting. Mincer’s (1962) contribution (reprinted in Mincer 1993) was a significant improvement over previous analyses of women’s labor supply (see Chapter 13 by Gronau).

Mincer’s other major contribution to NHE is his “Market Prices, Opportunity Costs, and Income Effects” published in 1963 (reproduced in Mincer 1993), a precursor of the models of allocation of time by Becker (1965) and Kevin Lancaster (1966). Mincer (1963) and Becker (1965) recognized that opportunity costs of time affect fertility, demand for transportation and domestic servants, labor supply, and search behavior, and that wage effects differ from (pure) income effects.

By their own account, Mincer and Becker had been inspired by earlier Chicago economists T.W. Schultz and H. Gregg-Lewis. What distinguished the NHE from previous research was not that it recognized the role of home production (Reid, Kyrk, and others had recognized that earlier), but that they applied the tools of microeconomic analysis, which had been developed in the context of firms, to model home-based decisions such as labor supply and fertility. It is principally as a result of Mincer’s and Becker’s contributions to the NHE, that labor economics now includes the study of the opportunity cost of time, demographic economics, health economics, and other considerations related to household production.

One of those deeply affected by Mincer’s writings on women’s labor supply was James Heckman, who eventually contributed important further innovations to research on women’s labor supply. Heckman notes, “When I was a graduate student