Reflections on the 2023 Nobel Memorial Prize Awarded to Claudia Goldin

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Claudia Goldin richly deserves the Prize for Economic Sciences awarded to her in 2023 for, in the words of the Nobel Committee, “having advanced our understanding of women’s labour market outcomes”. I hope economists everywhere are studying her research and devising ways to build upon it. Here, I summarize her most important contributions and also explain what I take to be some significant limitations of her theoretical perspective.

Gender inequality in earnings cannot be entirely blamed on discriminatory preferences, because it is deeply inscribed in the institutional structure and technology of modern economies. In her latest book, Career and Family, Claudia Goldin drives this point home. Along the way, she provides a compelling history of the ways in which successive cohorts of college-educated women in the U.S. managed to engineer new routes of economic opportunity and lead a “quiet revolution” in gender roles (Goldin 2021). In her view, the biggest roadblock women now face—conflicting demands of work and family—is emblematic of a larger conflict between efficiency and equity.

Her basic argument will be familiar to fans of her previous research, especially her 2006 American Economic Review article on “The Quiet Revolution: That Transformed Women’s Employment, Education, and Family.” Career and Family, aimed at a larger audience, includes biographical narratives that illustrate the ways in which individual women built on the successes of previous generations to claim opportunities for themselves. At the same time, it emphasizes a basic dilemma that limits women’s room for maneuver.

Paid work is greedy, and families are needy. Women prefer the flexibility to commit to both but pay a high price for ‘having it all’ because the marketplace pays a premium for professionals and managers willing to
work long hours. Even high-powered couples who might prefer to equitably share family care responsibilities find it costly, requiring a huge sacrifice of potential earnings from a primary—and highly specialized—breadwinner. The trade-off can best be alleviated by changes in the temporal demands of high-wage employment, but these demands are largely driven by gains from specialization, continuity, and flexibility on the job.

The basic roadmap of career/family conflict is well-traveled. Goldin’s distinctive contribution lies in her economic analysis. While some legal scholars like Joan Williams and Nancy Segal (2003) apply terms such as ‘family responsibility discrimination’ Goldin highlights the impact of relative prices on both the demand side and the supply side of the labor market. Whether or not employers have discriminatory attitudes, they prefer to hire—and are willing to pay a premium for—ideal workers willing to put in long hours. Some highly-educated women find ways around the problem; others voluntarily sacrifice career prospects in return for a package that includes more time for their children and other family members.

While compelling in many respects, this economic analysis relies heavily on paradigmatic neoclassical assumptions. By Goldin’s account, care for family members represents a personal preference rather than a productive contribution, and market wages are accurate markers of productivity. In my view, she defines efficiency too narrowly, overlooking the possibility that current institutional structures governing interactions between the family, the market, and the state are inefficient as well as unfair.

Gender specialization in marriage (he provides the money; she provides the care) has mixed consequences. Mothers without access to independent income face significant financial risks, especially if they lack personal wealth. Divorce has more negative consequences for caregivers than for breadwinners, and the threat of significant reduction in post-divorce living standards reduces women’s bargaining power within families. As Shelly Lundberg and Robert Pollak (2003) explain, contracting and bargaining problems can discourage both marriage and childrearing; women are increasingly aware of the potential costs of economic dependence on men. Fathers who devote little time to their children may fail to develop a close relationship with them, with adverse consequences for family members that can neutralize the benefits of the higher income these fa-
thers may provide (Petts, Knoester, and Waldfogel 2020). Contrary to received economic theory, some forms of specialization can lead to outcomes that leave everyone worse off.

The decision to raise children or care for other dependent family members can be described as an effort to maximize individual utility. However, such effort also leads to spillovers that represent public goods—the production, development, and maintenance of human capabilities, including the future supply of wage earners and taxpayers. In other words, this effort creates value that its creators are unable to directly capture (Folbre 2021). The increasing private costs and risks of raising children help explain why fertility rates in the U.S. (as in many other countries) have fallen far below replacement levels. Research on the fiscal consequences of fertility decline raises important questions regarding the ‘efficient’ distribution of the costs of investment in human capabilities (Wolf et al. 2011).

Just as greater family income does not always signal greater family efficiency, higher earnings do not always signal higher productivity. Goldin and others (for example, Cha and Weeden 2014) convincingly show that earnings per hour in the U.S. increase substantially with total hours of work. However, a wage premium does not necessarily imply a total compensation premium: non-wage compensation (including employee benefits) can exceed 40% of total compensation for high earners, and much of it represents a fixed cost that is amortized over increased hours of employment (Gittleman and Pierce 2013).

Many customers and clients value flexibility and continuity, but these needs can potentially be met by institutional reorganization, such as team-based services. Problems with lack of continuity in the U.S. health care system have less to do with providers’ hours on the job than with specialization and institutional incentives to cut costs (Frey 2018). Indeed, long hours of health care provision can lead to serious errors; the medical profession validated concerns about the adverse effects of hospital residents’ extreme hours in 2003 when it placed strict limits on shift lengths (Keller, Berryman, and Lukes 2009).

Bankers and CEOs probably prefer subordinates who are at their beck and call. Is this a productivity-related imperative or a privilege of managerial power? Both institutional inertia and information problems complicate the answer to this question. Like a college diploma that is costly to acquire but not actually necessary for effective job performance, willingness to work long hours may be a signal of potential worker effort that
moves job applicants to the head of the hiring queue. Cha and Weeden (2014) offer some evidence that rat-race effects push many into longer work hours than they would prefer. This coordination problem helps explain public choices to regulate hours of employment.

Trade-offs are often a fact of life, and public policies cannot always assuage them. Potential gains from specialization, continuity, job-specific skills, and single-mindedness will always loom large—in both careers and families. On the other hand, life is a portfolio that invites diversification, and many important assets—like healthy family and community members—are undervalued simply because they cannot be bought and sold. Much depends on how gains are defined, and for whom.

Goldin calls out the inequitable division of labor that assigns women more responsibility than men for family care, but her focus on career-oriented college-educated women deflects attention from other dimensions of inequality. In the U.S., women without a college education have been far less successful than their more credentialed counterparts at winning work-family benefits such as paid family leave from their employers (Adelstein and Peters 2019). International comparisons show that the effect of national family policies is strongly mediated by earnings inequality—with greatest benefits for low earners (Hook and Paek 2020).

Earnings inequality reduces the incentives for more affluent women to support progressive family policies that would increase public investments in care infrastructure. It encourages indifference toward the poorly-paid women employees who keep the price of outsourced domestic services relatively low. In the U.S., college-educated mothers living in cities with large numbers of low-wage immigrants are able to put in longer hours on the job (and also raise more children) than those living in comparable cities (Cortés and Pan 2019).

From a market-centric perspective, this represents an efficient outcome. However, in my book, it does not qualify as a grand convergence or a gender revolution. Indeed, it serves as a powerful example of the intensifying divisions among women in the U.S. that Goldin emphasizes in her latest working paper, entitled “How Women Won” (Goldin 2023). This paper provides a useful chronology of the relatively recent political and legal gains that have made it easier for women to compete with men. However, Goldin’s explanation of the disagreements that have accompanied this process is that some women simply have a ‘taste’ for equality while others do not.
She defines ‘equality’ primarily in terms of legal opportunities for women in paid employment, without regard for other forms of inequality such as those based on race/ethnicity, class, or citizenship. College-educated career women in the U.S. (myself included) are indeed winners. In a country that offers few public benefits, we enjoy far greater access to employer-provided work-family benefits (such as paid family leaves) than our less-educated counterparts. Many of us now enjoy the prerogative of earning money via zoom from the comfort of our homes. Meanwhile, the rising private cost of higher education has driven many of the younger generation into debt. Maybe this helps explain why many women have lost their taste for feminism.

One can admire Goldin’s research while also labeling it a small piece of a much larger and more complicated puzzle. I do not characterize Goldin as ‘neo-liberal’, because she does not express perfect confidence in market forces; I do not label her a ‘liberal feminist’ because she goes beyond attention to legal and political rights to explore complex economic outcomes. I just think she is unduly influenced by neoclassical economic assumptions, and uninterested in the ways different dimensions of inequality intersect and overlap. Her version of feminist economics will not help build the kinds of coalitions needed to move toward more equitable and sustainable forms of economic development. Not surprisingly, this has never been a condition for winning a Nobel Prize.

REFERENCES

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