

© 2010 Anti-Discrimination Center, Inc.

This copy may be used only as permitted by the Terms of Use available at <http://www.remappingdebate.org/terms-use>.
If you are interested in republishing this material, request permission by emailing permissions@remappingdebate.org.

REMAPPING DEBATE

For those working: why so much?

Original Reporting | By Greg Marx | Economy

January 18, 2011 — The American economy has undergone a radical transformation over the last 40 years: reduced barriers to competition, a weakening of organized labor, and a retreat from attempts at broad-based regulation. Over the same period, another great change has occurred: the prevailing middle-class model, in which a family could be supported by one full-time income, has given way to one in which both parents work, even as they try to devote more time to their children.

The entry of mothers to the paid workforce stems from a welcome shift away from the gender norms of the postwar years. But for many families, maintaining a middle-class lifestyle means both parents *have* to work. In 2003, Elizabeth Warren, then a law professor at Harvard, and her daughter and co-author Amelia Warren Tyagi, gave a name to the situation faced by these families: "the two-income trap."

"A rigidly free-market perspective is badly needed," Reihan Salam said, "and I don't think we have enough of it."

As women have entered the workforce, they argued, family earnings have risen, even as men's incomes have largely stagnated. And while the bounty of consumer goods has grown, a more open marketplace means that its cost has fallen. But dramatic increases in other expenses — from housing to health care to education to child care — have eaten up that second income. The result, Warren told a Senate committee in 2007, is that "after they pay their basic expenses, today's two-income family has less cash left over than their one-income parents had a generation ago" — even though they have sacrificed the safety net of a stay-at-home parent.

Survey data support the idea that parents are working more than they would prefer. In 2007, the Pew Research Center found, 60 percent of working mothers said they would prefer to work part-time; only 24 percent actually did. The same year, 48 percent of working mothers told a Wall Street Journal/NBC poll they would prefer to be at home raising their children, but their families needed the income; in the same poll, 43 percent of working women who were not primary wage earners said their income was needed not to buy nicer things for their family, but to "make ends meet." And it's not only moms: a 2000 survey of married dads found that barely half wanted to work full-time, but 9 in 10 were doing so. The greater competitive pressures of the modern economy, it seems, are not only being felt by businesses.

The changes in the rules governing the economy that accompanied this transition occurred under both political parties, and their relationship to the shifting circumstances of American families is disputed. But the driving force behind those changes is a belief in the power of the free market to deliver better outcomes — a belief that traditionally is professed most fervently by conservatives. So Remapping Debate recently spoke with a range of right-leaning policy thinkers — a group that included economic libertarians, social conservatives, journalists, and social scientists — to ask about the economic pressures facing families. Did they agree that the two-income trap was real? If so, what had caused it? And what, if anything, could be done about it? Here's what they had to say.

"You just have to be somewhat entrepreneurial"

Call up one of the leading free-market outfits to ask about the shifting landscape for families, and you're likely to learn that no one on staff studies that topic. But if someone can be found to field questions on the subject, he or she might say that yes, things have changed — but really, they're not so bad.

Nita Ghei, the manager of editorial services at the libertarian think tank the Cato Institute, agreed that families are in some ways more strapped today. In affluent coastal areas, professional couples face rising education costs on many fronts, including paying off their own student loans and saving for their children's college. And in heartland towns, there had been some loss of security: after all, there was no longer a factory job waiting after high school to provide solid earnings through middle age.

But she rejected the idea that there is any tension between a business's interests in seeking profit in a more competitive marketplace, and a working parent's interest in earnings security, or in flexibility to allow them to balance work and home.

"Competition runs both ways," Ghei said. "Workers can walk away — it's a much more mobile society." She added, "The power distribution is actually is a lot more even now than it used to be... You just have to be somewhat entrepreneurial."

That sounded like a strategy that Ghei might have developed or adopted while contemplating the circumstances of the upper-middle-class, degree-holding parents whom she had begun the conversation by discussing. Whether the strategy would work or not for those families, what about service-sector employees, who often face not just lower wages but less flexibility — for example, the Wal-Mart workers who [complained in 2006](#) that innovations in the company's labor practices required them to be available around the clock, which was especially hard for parents? Those practices sounded unfair, Ghei said, especially if they weren't initially disclosed to employees — but it wasn't the government's place to intervene in the private sector.

Nor was it the government's role to do much of anything else. While Ghei pointed to higher education costs as a source of economic stress, with the federal deficit increasing and state budgets strapped, "providing more aid just can't be an option," she said. "The gravy train has to stop somewhere." (Her Cato colleagues [have argued](#) that student aid has done more to drive up tuition and attract unprepared students than make college more accessible to students with the skills to succeed.) And while she said an array of policies may be inducing mothers to return to the workforce who otherwise wouldn't — and clearing away those "distortions" might provide a truer picture of families' actual preferences — she was skeptical about the prospect of public support for stay-at-home parents. "I would be really wary of adding more complications to the system," she said.

Deborah Simpson, another working mom in the free-market advocacy world — she is the managing vice president of the libertarian law firm Institute for Justice — was, if anything, more upbeat. Most families need two incomes today, she agreed — though, she said, for many families having the second parent work part-time is enough. But the marketplace had responded by creating a range of jobs that would allow them also to be engaged parents: everything from telecommuting positions for professionals to at-homes sales or Internet research jobs to "entrepreneurial" opportunities like selling handmade jewelry online.

Gains in technology had made this adjustment possible, Simpson said, but so had shifts in the business environment. "Deregulation is a plus for the employee," she asserted, because it gave employers more freedom and flexibility, and "generally speaking, the employer wants to make the employee happy."

Simpson acknowledged that she had less knowledge about circumstances farther down the income ladder. But, she said, "I would think that [that analysis] would hold." And asked whether there was potential, in a more innovation- and

"After they pay their basic expenses, today's two-income family has less cash left over than their one-income parents had a generation ago," said Elizabeth Warren in 2007 Senate committee testimony, even though that family has sacrificed the safety net of a stay-at-home parent.

competition-oriented business environment, for tension between an employer's goals and a working parent's interests in security and stability, she said, "I don't see that as a problem, and I don't see a group of people who would be a victim of that."

As for why a second income is necessary, Simpson had a simple answer: middle-class families are paying more to get more. "People want to have a higher standard of living, and it costs a lot more to have that standard," she said. "Would it be better if cost of living were less? Yes, but I don't think you can do that through creating a government system. I think what you do is, you let the market work."

Competition between families and the market?

A somewhat — though not entirely — different perspective was offered by Pat Fagan, director of Marriage and Religion Research Institute at Family Research Council. The FRC is known for its conservative perspective on social issues, and Fagan outlined his view that traditional families are in competition with what he called "fractured families" — who, he said, are making greater demands on "the common purse." But, he acknowledged, there can also be competition between families and the marketplace.

Fagan had no more interest in labor-market regulations than did Ghei or Simpson. But while Ghei suggested doing away with policy programs that make it easier for mothers to work, Fagan proposed the inverse, extending them to one-earner families.

For example, the tax code offers credits to parents who pay for child care; the same subsidy should be available to stay-at-home parents, Fagan said. "Where child care is concerned, you give to one, you give to all. You give it to the child, because every child's going to be taken care of by somebody," he said. And "you could play that right across the whole board, on all social and educational services."

Obstacles to such a policy shift included a series of special interest groups, Fagan said, a category that he defined to include "ideological feminists" and poverty advocacy groups who championed competing family structures.

But there was another group that fell under that heading: employers. Because they make it easier for both parents to work, and thus expand the potential supply of labor, programs like the child care tax credit are best understood as a subsidy to businesses, not families, he said. "It makes the woman more employable to the employer. That's a huge constituency on [Capitol] Hill and everywhere else."

"The power distribution is actually is a lot more even now than it used to be," said Nita Ghei of the Cato Institute. Workers "just have to be somewhat entrepreneurial."

Winners and losers in the modern economy

If the Cato Institute and the Family Research Council represent the libertarian and family values wings of the right-wing coalition, Reihan Salam, a writer for National Review, has a reputation as something of an unorthodox conservative. *Grand New Party*, a book Salam co-authored in 2008 with New York Times columnist Ross Douthat, gained attention for its focus on appeals to working-class "Sam's Club" voters. And his analysis of the source of pressures on families overlaps with Warren and Tyagi's. What has happened, according to Salam, is that as education has become more important, Americans are increasingly vying for the chance "to live in above-average school districts in high-cost metropolitan areas" — and as families with two full-time earners devote both incomes to that competition, the price of those scarce slots is bid up.

The upscaling of

But Salam is not especially persuaded by stories about market reforms leading to wage stagnation, or proposals to guarantee income security for working families. Instead, he says, the best policy response would be "a relentless focus on the supply side" — in other words, an attempt to

middle-class life, Scott Winship said, "probably has made it harder for a lot of the working-class and lower-middle-class to pursue a more traditional lifestyle."

produce more of those slots families are competing for. On housing, that means relaxing land-use regulations that limit how many homes can be built in attractive communities; doing so, Salam said, could provide some relief to upward pressure on prices. (He also favors reforming the mortgage interest deduction, which he said "mainly benefits the rich and provides zero benefit to non-filers," while exacerbating high housing costs. Reforming the deduction, he said, would also be part of a program he supports to raise average taxes — though not marginal tax rates — on upper-end households.)

But the biggest potential to create opportunities for families to opt out of the two-income model, he said, is in education. Salam has praised a voucher-style proposal by Rick Scott, the new, Tea Party-backed governor

of Florida, to offer all parents funding equivalent to 85 percent of what their children's public-school education would cost; those "education savings accounts" could be used for an array of educational services, from private school to virtual education to prepaid college plans.

The controversial plan has been criticized even by some parochial school leaders for undercutting public schools. But Salam said it, or others like it, would offer families more choice, and, by decoupling housing from education, would allow households with children to choose lower-cost housing while steering clear of weak public schools. (That move would also bolster "down-at-their-heels cities" by making them more attractive to middle-class families, he said.) It is a strategy not to insulate families from the market, but to bring the market to housing and public services. "A rigidly free-market perspective is badly needed," he said, "and I don't think we have enough of it."

Salam's account dovetails with the story offered by Scott Winship, a demographic researcher and blogger with whom he has collaborated. (Winship, much of whose research is devoted to challenging liberal critiques of economic trends, describes himself as moderate, and has written for outfits like the Progressive Policy Institute).

The changes over the last generation, Winship argues, have been marked by a sort of large-scale social choice: lower living standards and less work on the one hand, and on the other, a more expensive quality-of-life — in particular, the chance to live in a high-cost area that provides not just good schools but "intangible" benefits — that requires two earners. And families, he says, have "unambiguously chosen the latter." A household's second income may not translate to extra money at the end of the month, but seen broadly that is a result of "choice and consumerism," not "stagnation and hardship." (He justifies that claim in part by challenging traditional calculations of wage stagnation.)

Against this backdrop, some families with children do still successfully maintain a traditional one-earner lifestyle; in other families, of course, both parents work because they want to achieve certain career goals. (In that 2007 NBC/WSJ poll, one-third of married women with children under 18 did not work, and about another one-third said they preferred working to staying home, according to Winship's analysis.) Overall, he said, "the middle class is not as bad off as a lot of people would have you believe."

But, Winship acknowledged, there *are* losers in this arrangement: families who would prefer a more traditional work/family balance, and who would accept a 70s-era living standard, but who no longer have that choice because their consumerist peers have bid up the cost of living.

His analysis of the survey data, he said, suggests that this group probably amounts to no more than one-quarter or so of married parents, a set he described as "relatively small." But the families most likely to be in this category are those

"Deregulation is a plus for the employee," Deborah Simpson, managing vice president of the libertarian law firm Institute for Justice asserted, because it gave employers more freedom and flexibility, and "generally speaking, the employer wants to make the employee happy."

whose earning potential has not kept pace. "It's pretty undisputed that the real folks [for whom] the last couple of decades have been truly lousy is less-educated men," Winship said. "In some sense, that's kind of the group that loses out when most people are pursuing this other model."

The upscaling of middle-class life, he said, "probably has made it harder for a lot of the working-class and lower-middle-class to pursue a more traditional lifestyle, to the extent that that's what they're looking for."

"Something else has to happen"

So if a subset of American families is under increasing economic pressure — for reasons not of their own choosing — what else, beyond Salam's supply-side approach or Fagan's proposed subsidies, can be done to make a middle class lifestyle affordable on something less than two incomes?

Chuck Donovan is a senior research fellow at the Heritage Foundation, a conservative think tank that works on both social and economic issues. He takes a gloomy view of the situation. Families in financial stress have three coping mechanisms, he said: one parent can work more, a second parent can enter the workforce, or they can borrow. In recent decades, they "have done all of that," he said.

And while he has long experience lobbying for adjustments to tax law, unlike Fagan, Donovan holds out little hope for substantial gains through further tax shifts. "I don't think you can do much more in terms of tax policy for middle class families with kids," he said.

Instead, Donovan said, "something else has to happen, and in my view it has to be in the area of job creation" — and the jobs created must pay a "sufficient wage" to allow parents to spend less time at work.

But how to achieve that goal — especially for the "losers" in Winship's account — is a vexing question. Jason Fichtner is a senior research fellow at the free-market think tank the Mercatus Center, and until last fall was one of the top officials at the Social Security Administration. Like most of the people interviewed for this story, Fichtner sees rising costs mostly as a reflection of rising consumption levels, especially among the upper-middle-class. He is skeptical of labor-market or trade regulation, and of greater redistribution. And while the decline of manufacturing means the era when "you could afford to pay higher wages" for people who had not gone to college is over, he believes the challenges of the information economy can be met by greater investment in education.

But where does that approach leave Americans today who are in their working and child-rearing years, and who don't have a college or graduate degree?

"That's a great question," Fichtner said. "I wish I had a better answer for you. I wish I had a real answer for you. I don't."

Chuck Donovan, a senior research fellow at the Heritage Foundation, takes a gloomy view of the situation: one parent can work more, a second parent can enter the workforce, or they can borrow. In recent decades, he said, they "have done all of that."

Original article: <http://remappingdebate.org/article/those-working-why-so-much>