Fathers' Day: The Changing American Family

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This article is the nineteenth in a year-long series about economics and holidays.

Father's Day, which honors fathers and celebrates fatherhood, is celebrated on the third Sunday of June in 52 countries. It was first celebrated in the United States on June 19, 1910. As we celebrate the 100th anniversary of Father's Day, it's a good time to reflect on the changing American family. Yes, there are still plenty of traditional families—mother, father, 2.3 children. But there are a lot more nontraditional families than there used to be. Of America's 74 million children under age 18 in 2009, 70% live with both parents, although about 5% of those parent pairs are not married. Of the remaining 22 million children, three -fourths live with their mothers, 11% with their fathers, and the remaining 14% with neither parent. There has also been a marked increase in births to unmarried mothers, and not just teens. The stigma of unwed motherhood is gone, and the image of the father as the protector and supporter of the family has waned. But U.S. social policy, much of it designed in the 1930s, is still premised on the traditional two-parent, one-earner family. Three kinds of social policies in particular are based on that model: welfare, Social Security, and the income tax.

Economists have always dodged the question of whether the appropriate unit to use on matters of consumption and taxation is the individual or the household. For decades the head of the household, normally male, stood for the entire household as a taxpayer, earner, and determinant of consumption, even if the wife not only did the shopping but earned money in her own right. Welfare was designed for widows and orphans, not divorcees or unwed mothers. Social Security provided pensions for widows who did not qualify for benefits through work on their own, and also for children of deceased workers under age 18. The federal income tax has never quite figured out how to deal with the two-income household. Joint tax returns (with the option of filing separately) came into being in the late 1940s because community property state regarded income as belonging to both marriage partners even if only one actually worked for pay.

Of the three, the program that has made the greatest adaptation to changing families is welfare. As Aid to Families with Dependent Children (AFDC) was converted to Temporary Assistance to Needy Families (TANF), there was less focus on whether there was an able-bodied male in the household (which would make the family ineligible for welfare) and more stress on the importance of work for whatever adults were available, even mothers of very young children. Time limits and work requirements have removed many people from the welfare rolls, most of them mothers. The earlier emphasis on "deadbeat dads" and collecting child support has taken a back seat to expecting self-sufficiency from whatever parent is on the scene.

Social Security has a problem that stems from the same source but results in being more generous to traditional families—those in which one spouse, usually the wife, works very little or not at all outside the home. She is entitled to a wife's benefit (50% of her husband's Social Security check) as long as her husband is alive and to 80% of his benefits after he dies, as long as her husband has worked enough years under Social Security. Payments by both husbands and wives (and single people as well) into the

Social Security system go to support these benefits to stay-at-home wives, but neither second earners in a two-adult household nor single persons get any additional benefits.

Finally, the federal income tax has struggled with defining the taxpayer as an individual earner or a married couple (other kinds of households with more than one adult do not qualify). Hybrid tax schedules for individuals and married filing separately, married filing jointly, and heads of households (with other dependents but no spouse) have tried to bring some fairness in tax treatment to disparate kinds of family units. Married couples have been a powerful lobby in behalf of what they think is equity in taxation, both in one-earner and two-earner marriages.

Economics is based on the idea of the rational economic man, or rational economic person, pursuing his or her own economic self-interest. But is that rational economic man an individual or a family unit? Are household decisions about working, earning, spending, borrowing and investing made by one person or by a committee? For decades economists treated the business firm as a black box that purchases inputs and converted them into outputs, without giving much thought to what went on inside the black box. A whole new theory of the firm has arisen in the last few decades that see it is a set of contracts and other institutional arrangements designed to minimize transactions costs. Perhaps it's time for economists to do the same for the household. Father's Day would be a good time to start.