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TIME CONSTRAINTS AND THE STANDARD OF LIVING: A Research Proposal

Vivek Moorthy

The main prevailing approach to standard of living uses the Solow growth model to analyze the impact of different inputs, some of which can be influenced by policy, such as infrastructure spending, on GNP growth. An alternative approach uses the framework developed by Gary Becker, in which economic agents combine market inputs and time inputs to produce the goods and services they desire. Within the Becker framework, some commodities such as personal services can be produced entirely through the household economy (via barter or subsistence) or through the market economy. Further, individuals can efficiently choose to allocate their hours of work between the market economy and the household economy.

My proposal extends this paradigm to assess the prospects for future living standards and associated policy recommendations. The proposal involves two related themes. First, to begin with, it seems that many personal services that involve essentially only time are more efficiently performed through the household economy. The reason is that the cost of conducting this activity through the market economy is the time involved in conducting the activity **plus** additional transactions costs (transportation, insurance, search etc.) Therefore it is much cheaper to have an economy in which, say, persons of average income do their own laundry than to have a service economy based on "taking in each other's laundry."

The second strand in this argument is that workers may **not** be free to allocate their time between market and household work since hours of work and work schedules and locations are set rather **unilaterally** by employers. (If individuals were free to allocate their time between the household and market economy, they would probably do so in the most efficient way). Economic constraints lead individuals to substitute market for household work in obtaining personal services. Thus GNP growth due to the monetization of personal services may be inefficient and can lead to a declining living standards, to "working more for less". Conversely, shortening and staggering market hours of work can, ceteris paribus, lead to an increase in the standard of living, in a utility (though not GNP) sense. This argument can be seen as an **extension** of Harrod's Paradox "No matter how rich a country, the person of average income cannot consume more than the fulltime services of another person." (Harrod was, ironically, the founder of growth theory!) Thus as the market economy replaces the household economy in the provision of personal services, the standard of living can actually decline.

The data to investigate this issue are essentially from the Bureau of Labor Statistics and the Commerce Department. I am extremely familiar with both these data sources as a consequence of my work in current labor market analysis and GNP forecasting and

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have looked at some of the trends in wage data that pertain to this issue. A short monograph on this topic could provide fresh policy perspectives to the debate on living standards that has focussed excessively on GNP.