

"Gender Based Taxation and the Division of  
Family Chores," by Alesina, Ichino and  
Karabarbounis:  
A Discussion

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ASSA Meetings 2009, San Francisco

# Main Idea

- ▶ Marked asymmetries in labor market performance by gender:
  - ▶ Participation and hours of work
  - ▶ Wages and career advancement
  - ▶ Impact of marriage on earnings
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- ▶ Marked asymmetries in division of family chores across spouses
- ▶ Point of departure:
  - ▶ Gender asymmetries in labor market performance are undesirable
- ▶ Can simple policy reform ameliorate gender asymmetries and improve aggregate efficiency?
  - ▶ Yes! Gender Based Taxation

# Model

## Main Ingredients

- ▶ Demand for family chores exogenous
- ▶ Chores allocated between spouses via Nash bargaining
- ▶ Women perform greater share of chores because
  - ▶ Men have greater bargaining power *or*
  - ▶ Women have comparative advantage in chores

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- ▶ Bargaining power depends on *endogenous* value of marriage, as well as *exogenous* power parameter
- ▶ Women's higher share of chores leads to higher labor supply elasticity

# Model

## Main Predictions

- ▶ GBT decreases women's value of marriage
  - ▶ Increases women's bargaining power in marriage
  - ▶ Reduces women's share of chores
- ▶ GBT can improve societal welfare via two channels
  1. Redistribution towards women
  2. Reduction in aggregate deadweight burden

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- ▶ Other frictions:
  - ▶ External effects of household choices
  - ▶ Conflict between household and societal preferences over distribution across genders
- ▶ Government does not have appropriate fiscal instruments to directly address frictions

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- ▶ Basis: Reducing marginal tax on women and increasing it on men has positive effect on government revenues due to gender differences in labor elasticities
- ▶ Quantitative relevance?
  - ▶ Trade-off between distortions at the household and aggregate level
  - ▶ Wealth effects
  - ▶ Intensive vs extensive margin for women's labor supply

# Normative Considerations

## Conflict in preferences

- ▶ Version with exogenous gender differences in bargaining power
  - ▶ Men receive higher weight in household welfare function
  - ▶ Government and societal preferences assumed utilitarian
- ▶ Question:
  - ▶ If gender differences in household bargaining power are rooted in "culture," shouldn't government preferences reflect cultural preferences?
  - ▶ Should the government intervene to correct the allocation of resources within the household?
    - ▶ Only if it is inefficient

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- ▶ Alternative paradigms:
  - ▶ Inefficient household allocation & endogenous demand for chores

# Household Allocation

Inefficient household allocation & endogenous demand for chores

- ▶ Predictions under alternative paradigm:
  - ▶ Inefficient household allocation may imply that demand for chores *too low*
  - ▶ Efficiency enhancing policy reforms may lead to higher home hours for women (and perhaps men)

# Household Allocation

## Inefficient household allocation & endogenous demand for chores

- ▶ Predictions under alternative paradigm:
  - ▶ Inefficient household allocation may imply that demand for chores *too low*
  - ▶ Efficiency enhancing policy reforms may lead to higher home hours for women (and perhaps men)
- ▶ What determines the demand for chores?
  - ▶ Empirical link between home hours and number of children (Ramey, 2008)
  - ▶ Demand for chores linked to demand for (quality/quantity of) children

# Normative Considerations

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    - ▶ Gender specific patterns of consumption or valuation of public goods allow gender redistribution
  - ▶ Non-linear taxes: No deadweight burden associated with government revenue collection

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- ▶ Perhaps these alternatives would be superior to be GBT?

# Welfare Analysis & Gender

## Questions

- ▶ Since women are not minorities, why should we conclude that gender differences in outcomes necessarily reflect gender differences in welfare?
- ▶ Given that GBT appears to be a "free lunch" for aggregate efficiency, why has it not been broadly adopted?
  - ▶ Distaste and resistance towards gender based policies

# Positive Considerations

## Discrimination and Political Economy

- ▶ If normative foundations for GBT are valid then:
  - A** Distortions in political process hinder pursuit of "true" societal preferences
  - B** Labor market disparities due to discrimination
- ▶ Implications:
  - ▶ If **A**  $\implies$  Better to address distortions in political process
  - ▶ If **B** and discrimination is *statistical*  $\implies$  Need to solve coordination problem
    - ▶ GBT alone unlikely to be effective (Albanesi and Olivetti, 2009)
  - ▶ If **B** and discrimination is *taste based*  $\implies$  How can GBT be a feasible proposal?

# Summary

- ▶ Normative considerations
  - ▶ GBT based on aggregate externality and conflict between households and government over gender redistribution
    - ▶ Is aggregate externality is quantitatively relevant?
    - ▶ Why should household and societal preferences differ?
  - ▶ With endogenous demand for chores (number or quality of kids) and inefficient bargaining, conclusion may be different

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    - ▶ Why should household and societal preferences differ?
  - ▶ With endogenous demand for chores (number or quality of kids) and inefficient bargaining, conclusion may be different
- ▶ Positive considerations
  - ▶ Resistance to GB policies & persistence of gender disparities
    - ▶ **Puzzle!**

# Open Challenges

- ▶ Quantitative evaluation of GBT
  - ▶ Role of fiscal instruments & household allocation model
  - ▶ Extensive and intensive margin
  - ▶ Endogenous demand for chores/children
- ▶ Analysis of GB policies with labor demand
- ▶ Formal normative analysis of household taxation
  - ▶ Albanesi and Pavoni (2008)
- ▶ Political economy analysis of resistance to GB reforms

# Evolution of Home Hours and Implications for GBT

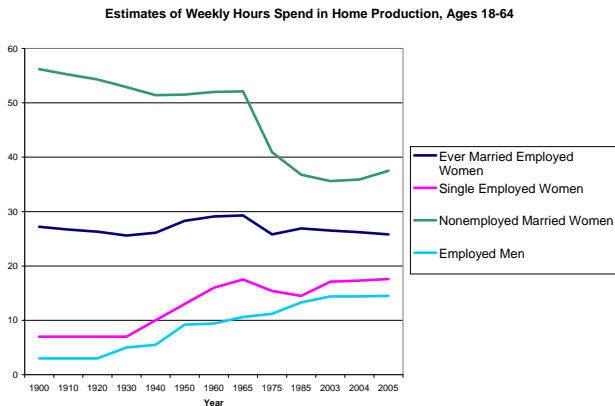


Figure: Ramey (2008)