

# **Women and the capitalist economy: power, trust, contract incompleteness and unpaid work**

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Valeria Sodano

Centro per la Formazione in Economia e Politica dello Sviluppo Rurale.  
Via Università 96 80055 Portici, Naples  
[vsodano@unina.it](mailto:vsodano@unina.it)

## Introduction

Recent economic literature on power and trust have shown that even under the assumptions of strong rationality and methodological individualism of the standard model, power and trust emerge as driving organizational forces in modern capitalist systems. The key element to understand the role of power and trust is contract incompleteness. Incomplete contracts entail ill-defined property rights for the total exchange gain. These residual claims will be appropriated by the party with more power or, alternatively, will be shared according to some “trust-based” rule (considering trust as a wide concept encompassing different strands of literature on conventions and social capital). The party who takes advantage of the residual gains of an exchange relationship regulated by an incomplete contract ultimately exploits some form of unpaid work. The appropriation of unpaid work through power (or through “trust-based” rules accepted by a society) is the innermost element of the capitalistic mode of production and accumulation.

Radical and feminist economic literature has widely studied the role of the unpaid reproductive work done by women in the process of capitalistic accumulation. The paper links these strands of literature to the neo-institutional economics in order to show that the unpaid housework is an extreme case of unpaid work exploited in a context of contract incompleteness, where this latter makes power and trust substitute the market in the process of resource allocation.

Four main findings are attained:

1. The exploitation of unpaid work, with the housework being an example, is the enduring mode of capitalistic accumulation.
2. The exploitation of unpaid work involves the use of power and/or trust as means to correct contract incompleteness. Power and trust substitute the market in the process of resource allocation, leading the system away from the optimizing equilibria foreseen by the standard model.
3. When the role of power and trust is accounted for in the economic analysis, the assumptions of strong rationality and methodological individualism must be overcome in order to explain sources and effects of these two forces. Social network analysis and some strands of economic sociology are good examples of different useful approaches.
4. Commodification of domestic work (including both housekeeping and people care) does not resolve the problem of the exploitation of unpaid work. This is because the transactions of these particular goods and services are such as to entail a high degree of contract incompleteness, and therefore some form of unpaid work exploitation. In order to avoid the exploitation and the sub-optimal welfare outcome associated with the use of power, new modes of production and resource allocation should be tried out based on “real” democratic socio-economic organizations; characterized by high participatory attitudes and a widely accepted value of justice as equity.

## 1. Unpaid work and the exclusion of household work from the marketplace.

Feminist economists (Ferber, Nelson, 1993; Ferber, Nelson, 2003) have widely explained why women are underrepresented and in weak positions within the “economic discourse”. One of the main explanations is that according to the conventional economics, women contribute less than men

to the economic processes and to the economic growth, given their low participation to both labour force and capitalistic accumulation. Womens' exclusion from the economy (and from economics) depends on the fact that the main work they perform, namely all the unpaid household work, is not accounted for in national income statistics that record only formal paid work. Whilst households are often referred to as consumption and income units, they are not referred to as production units, whereas household activities (cleaning, cooking, shopping, child rearing, caring) are real economic activities that yield private as well as social benefits (reproductive work generates positive externalities in many ways ranging from providing well educated citizens to prevention of health diseases, and so on).

Along with the exclusion of household production from income statistics there is the exclusion of the family from the economic institutions of capitalist economies, namely markets, firms and state.

During the last twenty years the value of unpaid household labour has been broadly estimated, showing that in developed countries it represents about one-third of the total official GNP (Barker, Feiner, 2004). Quantitatively (i.e. measured in units of time), unpaid work is even more important: in some countries within the OECD it slightly exceeds the total paid work (Picchio, 2003a). While it is intuitively true that household activities improve the total economic process, its role is concealed by the standard neoclassical model which assumes that the simultaneous determination of wages, relative prices, profits and consumption choices allow people the reproductive activities (consistent with the level of the standard of living of the working population) which secure the maintenance of the labour force (in the neoclassical model wages are not treated as costs of social reproduction but as marginal productivity of labour). Somehow reproductive activities are thought of as consumption activities and consequently reproductive labour is not "really" labour but leisure. Picchio (2003) shows the economic effect of household unpaid work by considering its effects in improving the family living standard. While the family living standard depends on goods and services purchased on the market, its enhanced form, the "extended living standard", includes the "extra well being" generated by goods and services produced by household labour (such as health, knowledge, social and personal relationships, and so on).

The standard model considers the reproductive work as exogenous to the economic system (the same as in the case of technology, preferences and behaviours, institutions guaranteeing for private property, the original distribution of property rights). Society and its reproduction is a sort of natural resource available for the economic system, and appear in the system as raw materials embedded in the labour force. The reason why the process of production of reproductive goods and services is not taken into account by the standard model is complex. Here at least three explanations are suggested:

1. In the case of reproductive services and goods, many causes of market failure occur, thereby including their "imperfect" markets in the stylized standard model would jeopardise its internal coherence and analytical tractability.

2. Neoclassical markets are based on the assumption of free trade between "free" actors who voluntarily exchange their property rights. In the case of household production some of the actors, namely women (at least at the time when the model was built, but unfortunately even now in some countries) and children, do not hold the civil rights requested in order to perform the exchange. This is a further source of market failure.

3. The third, and maybe the principal, explanation to the exclusion of household production from the economic sphere is rooted in what Barker and Feiner call the "ideology of the cult of domesticity" Barker and Feiner (2004, cap. 2) highlight how the traditional family, characterized by a sharp gender-based division of labour (with men working full-time outside the home to earn income and women working full-time in the home to sustain the family) became the dominant model during the nineteenth century along with the affirmation of the bourgeoisie as the leading class of the emerging capitalist society. The capability of withdrawing "their" women and children from the industrial workplace was a sound marker of social status for the emerging male capitalist class. The traditional family became a benchmark for the working class, giving rise to the concept

of family wage, i.e. the wage that enables a male worker to support a family without a second worker taking a job outside the home. Economists from both liberal and socialist party espoused the ideology of the bread-winning husband and domestic wife. Barker and Feiner (2006, p.27) remind us that Marx and Engels repudiated women's demands for full economic equality in the same way Marshall actually argued that women's wages should remain low to induce them to stay home and tend to domestic responsibilities.

As the socio-economic development of western capitalist countries allowed for major women's participation to the labour force, and both public provision and private markets for "household goods and services" emerged<sup>1</sup>, mainstream economics recognised the important function of the family either as a consumption or a goods and services provider unit. Mainstream economics addressed the problem of division of labour within the family stemming from the view of the family as a group with common interest and from the view of a process of exchange between the wife and the husband, where in a sort of barter system household services and goods (clean clothes, sex, childcare, and so on) are exchanged for income and wealth. The main finding of this "new home economics" (Becker, 1991) is that, given the natural biological inclination of woman for household activities, they own a comparative advantage in these activities that allow the male breadwinner-female caregiver organization of the family be more efficient with respect to alternative divisions of labour<sup>2</sup>. It is worth noticing that considering the family as an elementary economic unit (i.e. a single choice unit) enables the new home economics to overcome the problem of market evaluation of household labour. In other terms even looking at the division of labour within the family as the result of an exchange process, the model does demonstrate that resources within the family are allocated through a mechanism different from the market (this is made evident by the lack of price determination, that is the true condition that makes household work a form of unpaid work).

## 2. Cause and consequence of the exclusion of household work from the marketplace: a view from the new institutional economics

New institutional economics allows for a better understanding of economic motivations of unpaid segregated household labour and of the disciplinary function of the traditional family within the process of capitalistic accumulation. While new institutional economics has been used for analyzing the organizational forms of the caring sector stemming from the analysis of the different market failures that this sector exhibits (England, Folbre, 2003), little attention has been paid to suggestions of what this theoretical approach gives with regard to the analysis of traditional family as an economic institution of capitalism.

Considered in this section is how the theory of contract incompleteness of the firm can be adapted to the analysis of the traditional family in order to show its fundamental role in the process of capitalistic accumulation, and to analyse its peculiar feature as system of power. Reviewed first is the basis of the neo-institutional theory of the firm, identified then are the similarities between firms and families as a economic capitalist institution; and finally the particular role of power and trust as organizational drivers of reproductive activities.

### *2. 1. New institutional economics and exchange governance forms*

At the core of the new institutional economics (NIE) there is the evidence that real exchanges are not regulated by the ideal market of the standard model but by a variety of organizational forms (from spot markets to long-term contracts and firms) that emerge in order to minimize the exchange transaction costs (that is Williamson's explanation); or to appropriate residual property rights (that is the explanation of the theory of the firm based on the theory of contract incompleteness given by

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<sup>1</sup> The mix of formal (by market and state) and informal (by family) care identify the "care regime". Different care regimes are associated with very different economic and social opportunities for women (Bettio, 2004).

<sup>2</sup> The relation between the gender division of labour and the Becker's view is well stressed by England and Folbre (2005, pp.637-640).

Grossman and Hart<sup>3</sup>. As a consequence there are four basic ideal institutions that regulate exchanges and allocate the resources within modern capitalist economies: markets, contracts, firms (private hierarchies), state (public hierarchies).

While NIE explicitly recognizes that firms allocate resource through commands, i.e. power, it fails to recognize that power is a fundamental organizational force also in the case of markets and contracts (Sodano, 2006). This point is made clear by the contested exchange approach formulated by Bowles and Gintis.

Through the contested exchange approach, Bowles and Gintis show that in capitalist economies voluntary market exchange engenders a structure of power relations among economic agents, even when a competitive equilibrium is attained. The basic condition for power to emerge as economic disciplinary means is contract incompleteness. Incomplete contracts give rise to competing claims, which make transactions need an adequate enforcement system to be viable. When a third party enforcement is not possible an endogenous enforcement system is required. Bowles and Gintis (1993, 1999) refer to “contested exchange” as an exchange setting where the benefit the parties derive from the transaction depends on their own capacities to enforce competing claims. The party in the relationship who exercises power is the one able to institute monitoring and sanctioning mechanisms to induce the other party to provide the desired level of the contested attribute.

The evidence that power relationships are embedded in any exchange regulated by incomplete contracts highlights a further source of power within the firm. Not only is power exercised in the form of formal authority relationships stated by labour contracts, but it is also exercised when the more powerful party in the relationship is able to exploit the residual right of control on the exchanged resources left unregulated by the ‘incomplete’ part of the contract.

In summary, according to the NIE and to the contested exchange approach, which can be considered as an extension of the standard model, resources are no more allocated through the invisible hand of the market but through contracts. In contracts all the relevant decisions, -ends, means, commitments, punishments, and division of the surplus of the exchange-, are ultimately taken by the party endowed with a higher bargaining power.

Five consequences follow:

1) Except in the case of a Nash symmetric bargaining solution, the outcomes of negotiation do not assure the pareto optimality of competitive equilibrium.

2) As long as behaviour in the processes of negotiation relies on moral attitudes and cognitive schemes very different from the strong rationality of the homo economicus (as the economics of reciprocity has demonstrated), the image of economics as the science of rational choice is put into question with a call for economics as the science of moral sentiments and/or power.

3) The analysis of power; its sources, forms and consequences, becomes central to the economic inquiry.

4) As long as social norms and institutions shape the behaviours and the distribution of power in bargaining sets, the social embedness of the economy, as assumed by the new economic sociology must be accounted for.

5) Power asymmetry is a driving force in the process of capitalistic accumulation and, as bargaining game outcomes characterized by high power asymmetry witness, it pushes the system towards inefficient and unfair equilibria.

## *2.2. Family as a form of exchange governance*

Family can be seen as the production unit for reproductive services, which comprise housework (cleaning, cooking, administrative tasks and so on), care services (child rearing, nursery and psychological support for elderly and dependent persons), entertainment services (sex, party, social relationships), relational/emotional services (sex, social relationships, attentiveness, talking). The theory of contract incompleteness helps to understand why exchanges of these services are

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<sup>3</sup> Hart, 1988; Grossman and Hart, 1986.

regulated within the family institution (i.e. through formal and informal contractual relationships among the adult members of the family) instead of occurring in the marketplace. It also helps to assess social welfare effects of different organizational forms. The theory states that when markets fail in performing resource allocation, long-term contracts take place.

When contracts are incomplete, then either power/trust correct the incompleteness, or new institutions emerge in order to fill the organizational vacuum. Because institutions can be defined as networks of contracts, they in turn are affected by problems related to contract incompleteness.

When exchanges are governed by organizational forms different from competitive markets, Pareto optimality is no more attained and welfare effects associated with different organizational forms must be assessed through a case by case evaluation. Therefore, in the case of reproductive services, the following two steps of analysis must be carried out: I) assessing market failures in the “reproductive sector” and finding the “rationale” for the emergence of the traditional family; II) investigating contractual arrangements within the family and assessing welfare effects.

### 2.2.1. Market failures in the “reproductive sector” and the emergence of family institution.

Table 1 shows the three main sources of market failures that explain the shift from market (i.e. spot contracts) to long term contracts, and the degree by which they affect the supply of different kinds of reproductive services.

Information problems are mainly related to quality monitoring and assurance, due to the credence goods character that these services often exhibit (see England, Folbre, 2003, for a wide analysis of information problems related to care services).

Asset specificity refers to the fact that some resources involved in the exchange generate higher returns in that particular exchange than elsewhere. When asset specificity is a consequence of transaction specific investment undertaken during the execution of the contract, a typical hold up problem occurs, which turns the ex-ante competitive relationship into an ex-post bilateral monopoly (that is the fundamental transformation described by Williamson).

As personal/reproductive services are highly differentiated and need high supply flexibility. The requested high level of coordination between the parties in the exchange makes long term contracts into convenient forms of exchange governance. Moreover when transaction specific investments are requested hold up problems arise.

Finally, many reproductive services have some public goods characters because of their property of nonexcludability and non rivalry. Therefore the production of these services results in positive externalities that are not remunerated. As long as the “private” characters of these goods exceed the public ones there will be adequate private incentive for their supply. Nevertheless their public feature might require public policies aimed at socializing costs, especially in those cases when the private sector is not able to provide the socially “efficient” level of services (for example poor households that cannot afford to provide enough child care and education).

Table 1 Source of market failure associated with different kinds of reproductive services

<i>Market failure</i>	<i>Reproductive services</i>			
	<i>caring</i>	<i>relational</i>	<i>entertainment</i>	<i>homework</i>
<i>Information problems</i>	High	High	Low	Medium
<i>Asset specificity</i>	High	High	Low	Low
<i>Non standardized products and process</i>	High	High	Medium	Medium
<i>Spill over effects</i>	High	High	Low	Low

As shown by Table 1 the exchange of reproductive services is very likely to be governed by long term contract instead of markets. It is worth noticing that the kinds of services (entertainment and homework) with a lower level of market failure are more likely to be exchanged on the market (and this actually happens in real world). The same sources of market failure are also responsible for contract incompleteness, assuming the transactions are characterized by uncertainty, bounded

rationality and opportunism. The forms of exchange governance that better fit these kinds of transactions are relational contracts. “Relational contracts can be understood as contracts that do not try to take account of all future contingencies but are nevertheless long-term arrangements in which past, present, and expected future personal relations among the contractual parties matter; therefore, such contracts are, to a degree, implicit, informal, and nonbinding.” (Furubotn, Richter, 2000, p 158). Relational contracts especially fit situations in which there is bilateral dependence of the contractual parties because of the existence of transaction-specific investments and are characterized by self-enforcement mechanisms based on trust and social norms.

According to what has been said so far, it can be stressed that reproductive services are exchanged under informal relational contracts within the family institution. In the same way that firms organize the production and the exchange of good and services, families organize the production and the exchange of reproductive services. At the same way firms can be conceived of as nexus of contracts, both formal (as stated by civil law concerning companies, labour, property rights, and so on) and informal (relational contracts governing the exchange between the firm and its stakeholders), families can be conceived of as nexus of contracts; both formal (as stated by the civil law concerning marriage, inheritance, children and so on) and informal (the relational contracts governing the exchange of reproductive services among the family members).

Given that the processes of exchanges allocating costs and benefits associated with the production of reproductive services are governed by relational contracts within the family, one can question how efficient this organizational arrangement is, i.e. if total welfare (total benefits minus total costs) is maximized, and how equitable it is (i.e. if costs and benefit are evenly shared among the parties in the exchange). In order to answer this question it is useful to mention the two main allocative mechanisms associated with relational contracts: trust and power.

### *2.2.2. The role of trust in relational contracts*

Because relational contract do not specify (and/or are not able to enforce) the obligations that are needed in order for the relationship to produce its benefits, there must be alternative mechanisms which let the parties be committed to the relationship. These mechanisms reside in social conventions and social norms of trust and reciprocity.

Social exchanges within the relational contracts involve the supply of benefits by one party that creates obligations from the other party that are not precisely specified; this means that the nature of the return cannot be bargained about but must be left to the discretion of the one who makes it. In order for the “supplier of the benefits” to continue to participate in the relationship, s/he must trust the other party, i.e. must have a positive expectation about the willingness of this latter to reciprocate the benefits. The logic of social interaction is that as long as reciprocal behaviours really occur, trust is reinforced. More generally trust can be considered either as an “original human attitude”, either as a behaviour learnt through repeated interactions (as witnesses by the tit for tat strategy in the game of prisoner dilemma), or as a culturally constructed behaviour (in the sense that people can be educated to trust). While a definitive explanation about the “original source of trust and its very nature” is not yet available, economic theory, has widely demonstrated that without trust the economic system would barely and badly work.

### *2.2.3. Relational contracts, bilateral monopoly and power*

In relational contracts, exchanges tend to assume the form of bilateral monopolies due to the hold-up problems associated with relationship specific investment and contract incompleteness. In bilateral monopoly, parties are locked in the exchange because of high switching costs and must bargain in order to define their relative participation in exchange costs and benefits. The outcome of the exchange will depend on the kind of rationality used in the bargaining process and on the relative bargaining power owned by the parties. Under the assumption of strong rationality of the neoclassical model and symmetric bargaining power, a Nash bargaining solution can be attained which is not only pareto optimal (Nash, 1950; Harsanyi, 1977) but also equitable (the joint profit is

evenly shared between the parties). With strong rationality and asymmetric bargaining power, pareto optimality can be respected, but not with an equitable solution (Gintis, 2000). When relaxing strong rationality assumptions, bargaining solutions are no more expected to be pareto-optimal.

In contrast with the pure theoretical game theory, experimental game theory demonstrates that strong rational behaviour hypotheses do not hold in the real world. As a consequence the Homo economicus, typical of the standard rational choice model, must be sometimes substituted by new *personas* such as the Homo reciprocans, the Homo equalis and the Homo parochius (Gintis, 2000, pp.251-252). Negotiation experiments showing bargaining outcomes consistent with these different kinds of behaviours have been developed stemming from the Ultimatum game, originally envisaged by Güth, Werner, Schmittberger, and Schwarze (1982) and successively widely developed and tested by various scholars (Enrich et al., 2004; Gintis et al., 2005). These recent developments of game theory highlight the difficulties of dealing with bilateral monopoly contexts, considering descriptive as well normative and predictive level of analysis. Outcomes of bilateral monopolies depend on many social, economic and psychological factors and often do not respect pareto optimality requisites.

Bilateral monopoly is addressed from a structural perspective by power-dependence theory. Power-dependence theory states that (Cook, Emerson, 1978) the efficient and equitable bargaining solution of a dyadic exchange (i.e. the equal distribution of the total maximum exchange value) occurs when neither party has alternative sources and when the behaviour is driven by normative concerns about equity (i.e. the parties will refuse any outcome that unequally distributes the total profit, in the same way as in the ultimatum game the responder will refuse low offers). When one agent has alternative sources and equity concerns are weak, the exchange outcome will be chosen by the agent with more power, with the power associated with the position of the agents in the network, i.e. with the number of alternative available sources. Social exchange theory deal with power in bargaining situations also stemming from non-straight structural definitions of power, as for example power linked to status and strategic power (Molm, 1997).

In summary, when a bilateral bargaining is assumed the following results hold: 1) relaxing strong rationality assumption leads to non pareto-optimal exchange outcomes; 2) exchange outcomes depend on equity concerns and on relative bargaining power; 3) more preference for equity and less power imbalance lead to more equitable solutions; 4) bargaining power depends on many factors: the exchange opportunities outside the bilateral relationships (these opportunities are positively associated with high purchasing power, low switching costs, number of links in the exchange network), the bargaining skill, the personal attitude towards command/obedience.

### 3. Contractual arrangements within the family

Relational contracts governing exchanges of reproductive services within the family can rely either on trust or on power. Neither trust nor power can assure pareto-optimum exchange equilibria, nevertheless trust more than power allows for equitable solutions. Moreover for some of the reproductive services listed in table 1 market failures are weaker, meaning that the internalization of their exchange within the family is not the only extreme organizational solution. For these services it might be possible to design market regulations able to overcome market failure.

Applying the analytical framework of NIE it is clear that there are not unique organizational solutions, but a range of possible solutions depending on different political choices, social structures, individuals' behaviours, and cultural habits. It is also clear that different organizational solutions give rise to different flows of costs and benefits and to different distributions of the latter amongst the contractual parties.

Stemming from these tenets it is possible to demonstrate that the division of labour and the organization of the reproductive sector provided by the traditional family: 1) is not based on trust and cooperative attitudes; 2) is not equitable; 2) is not the most effective one; 4) is not "natural". Instead: 1) it is based on power and violence; 2) it is highly iniquitous; 3) it is somehow very

ineffective; 4) it is a socio-economic construct. Moreover it is part of the general exploitative process of capitalist accumulation and relies upon a socio-cultural construction of gender, which in turn is a basic element of capitalist economic systems.

### *3.1. More power than trust*

Trust and reciprocal behaviour need symmetrical relationships, task sharing and peer-to-peer communication. It is not a case that cooperative enterprises with a mutual end are based on principles of democracy (one head, one vote), community and solidarity. Instead traditional families are characterized by high relationship asymmetry, basically between the spouses, on the ground of civil rights, social norms, economic endowment, social capital endowment, education, physical force. Until the twentieth century (in Italy this institution was substantially reformed but not completely abolished only after the end of the second world war) the traditional institution of family law in many western societies has been the “*patria potestas*” (and the associated *potestas maritalis*), whose well known shameful violence and discrimination towards women and children does not need any further comment. Other asymmetries in civil rights between men and women are also well known. Differences in economic endowments depend either from the substantial unequal wealth distribution, either from the better market labour condition faced by men. Different levels of education have historically meant discrimination against women. Different endowments in social capital depend on the traditional exclusion of women from social life.

It is evident that all these asymmetries give a tremendous bargaining power to the male spouse who can appropriate the entire organizational rent of the exchange of reproductive services.

It is worth noticing that where there would be possibilities for the exercise of a countervailing power, as in the case of sex in monogamous marriages, social norms evolved in a way as to accept prostitution; whose ultimate function is to give males more exchange opportunities in order to enhance their power in the sex exchange relationship with the spouses. It is not by chance that in Japanese patriarchal society one of the main civil institutions has historically been the *kuruwa* institution, that integrated the production and reproduction system in a liberal economy led by powerful corporate patriarchal hierarchies (Hanochi, 2003).

The material and symbolic power through which women are exploited in relational contracts within the family reaches its highest with the “idealization” of mothering. Because reproductive services linked to childrearing and emotional caring are very sensitive for the reproduction of the patriarchal capitalist system, in order to assure the straight control on the production of these services the dominant class chose an exploitative system based on a mix of power, trust and cultural control. Here the construction of cultural codes of femininity (Lovenduski, 1998) stressing responsibility for others, selflessness in relationships, concreteness, and kindness, played the important role to make women perfectly compliant into the relationship. Here what would seem trust is instead an extreme form of power, a crude plagiarism to obtain a perfect obedience.

### *3.2. Justice/fairness*

It has been already mentioned that bilateral relationship with high power imbalance gives rise to unequal distribution of organizational rents. What can be added is that the particular way in which power is obtained and maintained in bilateral relationships within the family, besides exploiting women labour (through the supply of unpaid reproductive services) exploits their basic human rights. In pre-modern (and early modern) societies this is evident from looking at family laws. In current “non western wealthy society”, it is evident from looking at family laws (family laws of Muslim countries are only an example) and at the enduring violent practices aimed to totally control women’s role in reproductive sphere, as the practice of infibulations. In current western wealthy societies the exploitation of women’s human rights is associated with the enduring social



construction of gender which leaves girls few chances to develop their real capabilities and “true” inner attitudes<sup>4</sup>.

### 3.3. *Effectiveness*

Given that the supply of reproductive services is affected by market failure new institutions are requested to organize their supply. When moving from competitive markets to other organizational forms, economic theory does not offer “objective” criteria, as the Pareto-optimum, to assess welfare implications.

The Williamsonian perspective within the NIE suggests comparing alternative exchange organizational forms according to the criteria of transaction costs minimization, implicitly embracing an evolutionary-sociobiology image of economic systems stressing the “natural” survive of the most efficient organizations. According to this view the survival organizations are those which obtain higher competitive advantages in the market arena. Somehow markets still perform their allocative function and therefore, continuing to look at firms as black boxes, one can confide in the ultimate efficiency of the system. It is clear that this vision does not apply to the case of family, because there is not a direct competitive market where families sell their products. Thus in the case of family institution the Williamsonian approach is not useful.

The property rights approach to the theory of firm (Grossman, Hart, 1988; Hart, More, 1990), also within the NIE, tells a very different story. Grossman and Hart show that in exchange relationships requiring relationship-specific investments, the impossibility of subscribing complete contracts which define the allocation of benefit flows associated with these investments determine a problem of post-contractual renegotiation (in a post-contractual context of bilateral monopoly). The ex-post renegotiation is requested in order to specify the division of residual property rights, i.e., property rights on those exchange gains which were not “fully” regulated ex-ante. The choice by one of the parties to vertically integrate (i.e. to internalize within the firm/family those activities affected by market failure) may be given precisely in such a context as to increase the party’s bargaining power with the purpose of appropriating such residual property rights.

The tale of Grossman and Hart about how to compare different organizational forms: hierarchies, markets and contracts, is consistent with a vision of economic systems as a system of power where conflicts for the appropriation of scarce resources, more than their “best” use, are the driving economic forces. In other terms it is the seeking of power and not of cost-minimizing the very rationale of the economic activity. Where there is power, there is a conflict. Where there is a conflict, its resolution may rely on a continuum ranging from perfect accommodation (based on an altruistic behaviour) to cooperation-communication (based on cooperative reciprocal behaviours), to legitimate<sup>5</sup> power, and to violence (these two latter based on competitive behaviours). The more the power imbalance, the more legitimate power will emerge as means of conflict resolution.

With respect to the internalization of the supply of reproductive services within the family this vision suggests that the more the intra-family bilateral relationships exhibit the character of a symmetric Nash bargaining game, the more the outcomes are expected to be efficient (maximization of the organizational rent) and equitable (even sharing of the surplus). Otherwise efficiency is not attained, with equity being negatively affected by power imbalance.

To sum up, while economic theory does not allow for an “objective” welfare assessment of organizational forms alternative to competitive markets, it does suggest that bargaining power asymmetry has negative welfare effects.

### 3.4. *“Natural” or socially constructed*

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<sup>4</sup> Of course the same exploiting effects of social gender construction affect men as well women. The difference is that while for men this exploitation is the “price” paid to be in a dominant position, with the associated flow of benefits that this entails, for women is a further cost added to the flow of costs that they bear because of their subordinate position.

<sup>5</sup> According to the Weberian definition.

Barker and Feiner underline that “although the male breadwinner-female caretaker model of the family has roots deep in our patriarchal past, the ideology justifying these gender roles is an artefact of the industrial revolution”. (Barker, Feiner, 2006). That means that in the mature phase of capitalistic accumulation, with the rising of modern corporations during the nineties, a cultural-political phenomenon, the patriarchy, gave strong support to a particular form of economic organization. Before the explosion of industrial revolution the family had always been an entity within which multiple activities were carried out including the production of goods besides reproductive services. It is the new corporate structure of society that makes family specialize in reproduction. “The Industrial revolution brought an important change in the traditional social structure, as a portion of the economically productive activity of the household was extracted from it. The new corporate actors removed a large production from the household to some locus outside it: the factory or the office. This productive activity outside the household ordinarily took the form of the husband and the father exchanging his labour for a wage and bringing back that wage to support his family.” (Coleman, 1990, p 580). As a result men were integrated in the new economic system, becoming part of the market. Women instead exit the economic scene, losing one more place in the public sphere (given that historically politics and all public activities were already forbidden to women).

As well explained by Strassman (1993), through the story of the benevolent patriarch and the story of women of leisure, the standard economic theory excludes (also at theoretical level) women from the economic sphere. In these stories the patriarch makes choices in the best interests of the family. “By subsuming the needs of all family members into one utility function, the story of the benevolent patriarch provides an economic parallel to the historical invisibility of children and women in much of British and American law”. (Strassman, 2003, p. 58). The story of woman of leisure tells that women do not work. “The woman of leisure stays at home tending to the domestic needs of her family; although she may perform many activities, these activities are limited to her family and have no value because they are not traded in the marketplace”. (Strassman, 1993, p.59). These two stories have been sufficient to let about the half of the work totally performed in the economy be not accounted for (Picchio, 2003b) and not paid.

Concluding, womens’ segregation in the sector of reproductive services and exclusion of these from the economic accounts (supported by the policies carried out by corporations, by the patriarchal culture, and by the neoclassical economic theory), are events that are not in any way natural; neither because of a biological necessity, nor because of economic necessity. Instead they are the outcome of a double level of exploitation. When bargaining with the employers for the family wage, workers consider only the costs of goods and services purchased on the marketplace and thus underestimate the “real” cost of their living standard. When bargaining with their wives for the supply of reproductive services in exchange of their wage, men can obtain the maximum effort against the minimum “price” because the exclusion of women from the labour market dramatically reduced their bargaining power. The ultimate beneficiary is the capitalist firm that through the women’s work exploitation made by men, can increase its exploitation of men’s work. Moreover because the unpaid household work produces positive externalities, another form of exploitation takes place, similar to the exploitation of environment through the negative externalities of production activities.

#### 4. Conclusion

Due to different sources of market failures, the supply and exchange of reproductive services may be best governed by relational contracts. Relational contracts use either trust or power to correct contract incompleteness. According to the degree of bargaining power imbalance and the degree of trust, exchanges governed by relational contracts exhibit different outcomes. Generally more trust and less power imbalance are associated with higher surplus and equity.

Family is the institution within which relational contracts governing the exchanges of reproductive services are inscribed. Historically patriarchal norms have given males higher bargaining power

with respect to women. Nevertheless the joint activities carried out within the family by men and women and the slight distinction between productive and reproductive activities did not allowed for the total exploitation of women's reproductive work, which was partially socialized.

The rise of corporate structure of society called for a straight male breadwinner/female caregiver model of family that made relational contracts more power than trust based, and gave men a disproportionate higher bargaining power. In the male breadwinner/female caregiver family women's unpaid work is ultimately exploited by capitalists, and is therefore a basic element of the process of capitalistic accumulation. Basically a cultural element, the socially constructed feminine codes and the associated ideology of domesticity, supports this system of exploitation.

These results allow for the following suggestions.

Because the reproductive sector is affected by various forms of market failure, the plague of household unpaid work cannot be solved by displacing it on the marketplace.

The shift to the market could both lower the quality of the services and give rise to new form of exploitation with respect to weak workers outside the family. It would also imply the exploitation of environment for the behalf of profits of corporations, as in the case of wastes and pollution produced in order to provide food products with "convenience" services.

The shift to the market would be effective only for those services with weak market failure, provided that there is an adequate market regulation. Instead of providing it through the market, reproductive services should be socialized. Socialization should occur outside the family through public provision (provision of reproductive service by the state is efficient because it corrects positive externalities), and inside the family by substituting power with trust in relational contracts.

When promoting trust inside the family, an appropriate concept of trust should be referred to. The trap of the idealization of mothering should be avoided. Preference should be given to kinds of trust supporting outward-looking and bridging instead that inward-looking and bonding forms of social capital<sup>6</sup>.

The mechanisms allowing for the exploitation of unpaid household work are the same mechanisms through which capitalist accumulation occurs at the expenses of the formal working class. Recognizing this should make clear that feminist issues, as also the environmental issues, are central to the discourse on capitalism.

At the core of the current globalized capitalist system there is the social construction of genders. The current codes of masculinity and femininity are functional to the reproduction of the system. They support asymmetries in society and allow power to be the disciplinary tool in every human activity.

In order to enhance women's position in the economy and in society it is a mistake to ask for a reevaluation of female attitudes and characteristics, and implicitly accepting that the gender codes have a biological base. Instead it is important to ask for a devaluation of male attitudes and characteristics (which are responsible for violence and exploitation) and at the same time ask for a deconstruction of gendering codes, looking forward to real equitable relationships between men and women and among all individuals in society.

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<sup>6</sup> According to definitions from literature on social capital, see for example: Putnam, Goss, 2002.

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