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I. INTRODUCTION

In its theories about how individuals make rational decisions, economics supposes that all individuals are rational and utility maximizing. Such suppositions come loaded with a variety of assumptions about what is rational and where individuals come from. Moreover, the development of economic theory and the situations it is regularly applied to reveal a masculine bias that has only recently begun to be challenged and corrected. As Marianne Ferber and Julie Nelson point out in their introduction to Beyond Economic Man, "Women have been largely absent not only as economic researchers, but also as the subject of economic study" (Ferber and Nelson, 4). Although it could serve to address many concerns of women and the realities they face in their daily lives, economics has often failed to reconsider its assumptions and take on problems that do not fit the traditional models.

Women's concerns tend to center on the family and child-rearing much more than men, because women bear children and are traditionally the primary caregivers of children both in marriages and after divorces (although the balance is moving toward equal) (Blau and Ferber, 52). The ranks of economists and the problems economics addresses have increased significantly in terms of gender diversity (Ferber and Nelson, 2), but the study of family-oriented issues is still comparatively small next to other applications or theory developments that take place in economics. Child care is one of the most pressing economic (and social) issues facing millions of women, yet traditional economic theory, as originally designed, cannot even take this reality into account. There has been increased interest in the economics of childcare in recent years, but the literature is not comparable to the scope of the problem. Also, the basic models that students in

economics learn (at least in lower-level classes) have yet to be corrected for the fact that many individuals have obligations to a family.

The reality of childcare's importance shows how important a field it should be for economists. The labor force participation rate of women in America has grown dramatically in recent years, from 37.8 percent in 1960 to 57.5 percent in 1990 (Blau and Ferber, 75). More importantly for an analysis of childcare, the percentage of women with children under six (the age group most in need of child care since they do not attend full-day school for the most part) in the workforce has risen from under 20 percent in 1960 to 57.1 percent in 1988 (Robins, 12). This dramatic increase has created the problem of over 25 million children who have working mothers (Robins, 11) and are thus likely to need at least some child care (this number does not even count the multitude of children who have mothers who would work if not for their inability to obtain quality child care). Clearly, child care is a market that demands careful economic analysis since it plays such an integral role in the decisions of millions of American women to work and is a large market in and of itself. The need is much more pressing, however, because the market for child care is rife with imperfections, including incomplete information and missing markets, particularly for poor women who are the most in need of quality child care.

This paper considers the various ways in which the child care market operates (and fails), both in reality and in terms of economic models. As I will show, child care is a unique market in many ways and demands careful attention to how reality correlates with theory. Economic theory shows that child care should have a significant impact on women's' decision to enter the labor market, and I consider whether this is true in practice, as well as how the child care market operates compared to the demonstrated need. I analyze the child care market that faces poor

women, including those on welfare, carefully, since they are most in need of child care and yet face a market that functions worse than that faced by any other group of women.

No analysis of child care would be complete without considering the role played by the government and I do just that, analyzing both past governmental actions and policy proposals to alleviate imperfections in the child care market. The role our government has played in child care has been mixed, sometimes activist and sometimes laissez-faire or even retrenching, but has rarely been consistent or effective at addressing the fundamental problems. Various subsidies and tax incentives have existed to help women obtain child care and I consider their effectiveness. I take a look at the recent welfare reform law in particular, since it addresses the issue of child care and has a significant impact on millions of poor women and children. I also look at proposals by those on the Left and the Right to help working women with children and show what their effects are most likely to be according to economic theory. Finally, I propose my own policy solution to the problems in the child care market that goes further than any existing proposals to address the fundamental problems that poor women face when trying to obtain child care.

II. ECONOMIC THEORY

Economic theory is a powerful tool that can be used to analyze individual's decisions in the market in a variety of settings and with a variety of methods. The models used by economists to analyze economic behavior purport to simply describe any rational individual, but show their flaws when applied to those who were not really considered to be meaningful members of the economy when the models were developed. My analysis of child care

demonstrates how traditional models fail to accurately describe the economic realities of working mothers and what changes are necessary to make a more meaningful analysis of how these women operate in the economy. Once these changes are made, however, economic theory powerfully demonstrates the challenges faced by working mothers and how child care affects their decision to enter the labor force.

When analyzing women's choice to enter the workforce and how various factors affect that choice, the natural model for the economist to turn to is what is called the "labor-leisure" model. This model correlates the income an individual receives from working additional hours in the market with the value he or she places on time spent at leisure as compared to earning additional income and thus being able to consume more goods. The model measures available time on the x-axis and income on the y-axis, with an downwardly sloped line called the budget constraint starting at y-axis, where the maximum amount of time possible is being spent working the market, and ultimately ending at zero time spent in the labor market, with the only income left being that obtained outside the market. The individual picks a combination of market time and leisure at the point where one of her or his indifference curves - which are parabolas which show all the combinations of market and leisure time which bring the individual the same utility- is tangent to the budget constraint. Figure 1 in the back is a typical labor-leisure diagram with all the components discussed here clearly labeled.

Although the labor-leisure model does an admirable job of demonstrating how individuals make decisions, it ignores key components in the lives of millions of women: their household responsibilities. For working mothers, the alternative to market work is not simply leisure, but the household work which they must do in their roles as wives -who still do the

majority of housework (Blau and Ferber, 52)- or single household heads and as mothers. This not only changes the labeling of the x-axis in the labor-leisure model, but is likely to change the slope of the indifference curves, since most people do not value leisure time the same as they value household chores such as changing a baby's diapers (I assume that in most cases it will show women valuing market time less since non-market time becomes more of a responsibility and less of a luxury). Francine Blau and Marianne Ferber propose just such a model in <u>The Economics of Women, Men, and Work</u> (Blau and Ferber, 80-90), in which they also show how child care can act to compensate for the different incentives women with children have compared to other market workers. Figure 2 in the back demonstrates such a diagram, analyzing the same person as Figure 1, but assuming it is a woman who now has a family and thus values home time more.

When child care is provided, the shift in the slope of the indifference curve should disappear, thus facing the woman with the same incentives to work as any other person (ignoring, of course, that a married working woman will likely have more household responsibilities than a married working man). Although the indifference curves are equal again, however, the working mother is still not on equal economic footing in the labor force participation choice model. This is because child care costs money and unless the woman lives in a country where child care is 100% subsidized, such as France, she will have a lower effective wage than other workers with her income because in order for her to enter the labor market, she has to take on the cost of child care. The cost of child care lowers the point on the y-axis where her budget constrain ends, thus changing the slope and the amounts of time she will choose to spend at home and in the market. Figure 3 in the back shows how child care costs lower a

working woman's real wage and thus alter her time allocation between work and home. It demonstrates that the real wage and the home work-market work tradeoff are subject to the workings of the child care market and public policy regarding child care. The model proves that we can't understand working mother's labor market choices without first understanding the child care market.

Despite it's traditional biases and flaws, economic theory can be used as an effective tool to analyze the choices working mothers face in the labor market. It has taken adjustment by contemporary economists such as Blau and Ferber who have pushed economic models to apply to more than a select portion of the American population to make this type of analysis possible, however. Now that we can apply these models to working mothers, we see what an important role child care plays in the economy, since it is a very significant factor in the labor force participation decision of working women. Thus this model is at once a lesson in the biases and the power of economic theory. Now that we have seen how economic theory treats the issue of working mothers and child care, we must turn to the real world and the evidence on working mothers and the child care market. We will see not only how well the theory describes reality, but what issues are involved in child care that economic models are incapable of describing or taking into account.

III. THE EVIDENCE

The available data demonstrates the significant impact child care has on women's labor force decisions and provides insights into the failings of the child care market. Price, quality, and availability of child care all vary significantly for women of different incomes. By looking at

the realities of the child care market and women's lives, we can see both the effectiveness of the above discussed model and the numerous aspects of the child care market that the model does not or can not adequately explain.

The overwhelming mass of studies and data agree that the presence of children has a significant effect on women's choice to enter the labor market (Connelly, 107). Although some of this effect is due to the greater value women place on home time when they have children, complex econometric models such as one developed by economists David Blau and Philip Robins use the available data to predict that "the cost of market child care will affect household decisions on labor supply" (Blau and Robins, 380). Since employed women with at least one child under 13 in the home pay, on average, 20 percent of their income for child care (Connelly, 88), this comes as little surprise. The effect Blau and Robins observed is consistent with the time allocation model described above. If working mothers have to pay 20 percent of their incomes for child care, then their effective income falls 20 percent, thus changing the slope of their budget constraint and their indifference curves (the latter due to greater certainty that their children will be properly cared for) and changing the amount of time they choose to spend in the market and at home.

The evidence illuminates many things that can not be shown in the models, including issues of child care quality. The quality of child care is obviously a significant concern to mothers because they can not feel confident entering the workforce unless they are sure their children are being well taken care of. In the time allocation model discussed above, child care quality would affect the slope of the indifference curve, I would hypothesize, since higher quality child care makes women's home times less valuable to them in most cases. Unfortunately,

information in the child care market tends to be incomplete and non-standardized (Kisker and Maynard, 128). There is a lack of standardized information about child care options and many women rely on word of mouth rather than expert evaluations (Mitchell et al, 33). This leads to a market where parents are often unsure what is the best choice to make, and thus do not make well-informed decisions.

Quality problems are particularly pressing for poor mothers. Poor women tend to be less knowledgeable about their child care options due to lack of experience in school and work as well as their lack of informed contacts (Mitchell et al, 38). Also, poor women are much less likely to have access to transportation, forcing them to choose based on a few options in the immediate area, which reduces their search options and usually brings lower quality care (ibid, 32). Most importantly, however, there is a significant correlation between the cost and quality of child care (Kisker and Maynard, 135). Thus, even though poor women pay significantly more of their income than average for child care (32 percent as opposed to 20 percent), they still pay less money than almost all affluent families and thus receive lower quality care (ibid, 134).

Poor women face many other obstacles in their search for quality care for their children. Available child care tends to be of lower quality for poor women because they usually do not have access to transportation (as discussed above) and have higher time costs (Mitchell et al, 32). The higher time costs result from their poor women's irregular employment and the fact that transportation must be worked out in advance since they usually do not own cars. Many poor women do work, but the job market they face is such that, as Mitchell et al say, "their prospective employer is likely to say, 'You've got the job if you can start tomorrow.'" (ibid, 33) Poor women also face the obvious dilemma of simply being unable to pay for quality care.

Interviews reveal that many women settle for child care below the level they would like because they simply must work and do not have any other options (ibid, 33). Even when the market does work to provide child care at a cost poor women can afford (and we will see that it often does not), the quality of the care provided is still not up to a level that many women find desirable. Unlike many other economic factors, the minimum level of acceptable child care does not shift directly with income.

Because the market does not always serve them well, poor women tend to rely heavily on the informal child care market. 60-70 percent of poor children are cared for within their extended families, as compared to about 50 percent in the overall population and 33 percent of affluent children (ibid, 27-8). Additionally, there are a variety of other informal methods used (such as babysitters and friends), so that only 16 percent of children with family incomes under $15,000 are in child care centers while 35 percent of children with family incomes over $45,000 are in centers. This reliance on the informal sector does not represent satisfaction, however. A survey by the National Center for Children in Poverty revealed that only one quarter of the poor women surveyed were using their preferred form of care and over half said that their first choice would be a child care center if they had the opportunity to send their child to one (ibid, 30). This is not surprising, since those who provide informal child care tend to have low-skills (Walker, 68) and are unable to provide any educational enrichment like professional centers can, which most poor women unsatisfied with their current child cite as the main reason they desire a change (Mitchell et al, 30).

The importance of the informal child care market for poor women cannot be emphasized enough. Most poor working women use informal child care; further analysis reveals just how

problematic this is for these women and their ability to enter the workforce. Although it may work well enough for women whose employment is irregular at best, informal child care is a serious impediment to women's' obtaining regular employment. Unless women can obtain affordable child care that will be able to consistently care for their children at a level of quality they find acceptable, they simply can not go to work. This problem is exacerbated by the fact that many low-income workers can't be confident that they will still be employed if they have to miss work to watch their children and that they often have inflexible work-schedules (ibid, 31). The informal child care market operates well to provide an option for women who would otherwise have none, but it does not provide the reliable, quality care that mothers need to move into the full-time labor market.

The reason so many poor women need to rely on the informal market is a flaw in the child care market that is especially prevalent in poor areas: missing markets. The child care market in many poor areas in subject to a classic economic catch-22: women can not reveal their demand for quality child care when they are jobless and without sufficient income, yet they can not take the jobs they would need to reveal this desire without quality child care (Walker, 71). There is also the problem that even in areas where some professional care is available, it is rarely of decent quality unless it is government subsidized, since poor families can rarely afford quality care. Although this is not the fault of child care providers or parents, it represents a fundamental market failure that prevents potentially employable women from entering the market and moving out of poverty.

The failure of the child care market in poverty-stricken areas is demonstrated very clearly in a recent article from *The New York Times*. The article describes the case of Nuestro Ninos, a

federally subsidized child care center in the Southside neighborhood of Brooklyn. Nuestro Ninos has undergone what the *Times* describes as "a deluge of demand" (*New York Times*, B1), with a huge waiting list of children waiting for any of the center's 600 spots to open. Demand for care was already high from the abundance of working poor families in the area, but with recent changes in welfare laws which require many more poor women to go to work, demand has skyrocketed. The demand for spaces in Nuestro Ninos reveals both that parents have a strong demand for quality care as opposed to informal care and that the market is incapable of responding to the obvious demand amongst low-income families for quality child care. There simply is no market in Southside to respond to the overwhelming demand.

The evidence from child care reveals that in those cases where the market is present and working, it operates very much as economic theory would predict. The market does not work well for many working mothers, especially those who are poor and need quality care the most. This failure of child care markets due to imperfect information, the cost of quality child care, and missing markets provides a strong argument for government intervention in the market, especially at a time when the government is pushing poor women into the labor market. Child care policy, however, has often not acted to compensate for many of these damaging market imperfections.

IV. PUBLIC POLICY

A. Past and Current Policy

U.S. government child care policy has come a long way from the time of President Richard Nixon, who said in a message accompanying the veto of a child care bill that the

proposal would lead to "the Sovietization of American children" (Ireland, 4). Although the idea that government involvement is child care is analogous to Communism seems laughable today, our lack of substantive and coherent federal policy on child care puts us in a situation where analogies to the ineffective Communist system might very well be appropriate. American child care policy is full of incomplete attempts to reach constantly shifting goals. Although there have been many effective policies that have made positive differences in women's and children's lives, we have failed to address the most fundamental market imperfections and have, in some cases, acted to exacerbate the problems that I have already observed in the child care market.

According to the General Accounting Office, there are forty-six federal programs that provide some form of child-care assistance (Robins, 16). Most federal spending, however, goes to the Child and Dependent Tax Credit, the Social Services Block Grant (Title XX), and Head Start (Robins, 16). These programs are the backbone of U.S. child care policy and most state programs provide services that work similarly to these federal programs.

The largest amount of federal money goes to the Child and Dependent Tax Credit, which refunds a percentage of a parent's child care costs of up to $2400 per child, depending on the parents income (Tax Topic 602 - IRS). In 1988, 44.7 percent of working mothers claimed this credit and it cost the federal government $3,803,000,000 (Robins, 20). The tax credit has been the main source of growth in federal child care spending until the recent welfare reform bill. Between 1977 and 1988, the tax credit increased from 25 percent of all federal child care spending to about 60 percent (ibid, 18). The credit works to lessen the costs of child care to working mothers, thus making it easier for them to enter the workforce (it increases the slope of the budget constraint in the time allocation model).

Although the Child and Dependent Tax Credit does provide a meaningful amount of aid to millions of working mothers, it reveals a significant bias in federal child care policy. Because the credit is not refundable, it only helps those who make enough money to pay federal income taxes (ibid, 18). Thus, although those with lower incomes have the greatest need for aid in obtaining child care, only about five percent of the tax credit's benefits went to the bottom thirty percent of the income distribution in 1990, while about sixty percent went to the top thirty percent (ibid, 36). The largest government child care program benefits those who need help least the most, while practically ignoring those whom the child care market most often fails.

Title XX and Head Start are federal programs that subsidize child care for low-income families. The former directly subsidizes child care through programs such as vouchers or government subsidized centers - administration is at the states' discretion (Robins, 22). Title XX spending has been cut drastically, however, and it thus does not come close to meeting the need that exists. Between 1977 and 1988, Title XX spending fell almost sixty percent in constant dollars (Robins, 18). The recent welfare reform law, as discussed below, consolidated this block grant with other programs and increased funding available to the states.

Head Start is a federally funded program that provides early education, nutrition, health and social services to low-income children too young to attend school and their families. Head Start provides quality child care as well as these services, thus contributing significantly to the lives of poor children and their families. Studies show that Head Start is very effective at improving children's' intellectual ability, emotional maturity, and school readiness in addition to the valuable service it provides for low-income mothers who need free child care (Council of Economic Advisors, 186). Although it does not serve as a full time child care program, Head

Start partially serves as one for hundreds of thousands of young children and could, if expanded, provide more comprehensive day care. Unfortunately, Head Start is currently funded to serve about one-third of the eligible children, and no more than small increases have been proposed (CDF - A voice for Children).

The most significant development in public policy in recent times, however, was last summer's Personal Responsibility and Work Opportunity Reconciliation Act of 1996 - the welfare reform law. This law instituted tough new requirements that welfare recipients must go to work - by 2002 fifty percent of the nation's able welfare caseload must be working at least thirty hours a week (Summary of the New Welfare Legislation). Because so many women on welfare have young children who require child care if their mother must work, this law allocates $22 billion over the next seven years for child care, $6.6 billion more than would have been spent otherwise (ibid). This spending is distributed to the states via the Child Care and Development Block Grant, which consolidates federal child care subsidies into one block grant for the states to administer. Although this appears on the surface to be a significant new investment by the federal government in childcare for the poor, it is actually inadequate when compared to the new work requirements in the bill. According to the Office of Management and Budget, the funds fall $2.4 billion of that needed to compensate for the additional time women on welfare will have to spend in the labor force under the law's provisions (ibid). Additionally, the law eliminates the previously existing guarantee that child car will be provided to families on welfare that need it to leave welfare for work or training (ibid).

Welfare reform also promises to hurt the working poor, who are not in poverty but can't afford quality childcare and are in danger of falling into poverty at any moment. The welfare

reform law eliminated the special category of "At Risk” child care, which helps families that are at high risk of falling into poverty if not for child care assistance. More significantly, many states are shifting child care assistance from the working poor to those on welfare who are being required to work. Thus, additional child care assistance for the poor is coming at the expense of those on the edge of poverty, making it much more likely that they will fall into poverty and need welfare. New York City, for example, has directed that the child care centers it subsidizes must give priority to welfare parents over working parents due to the harsh work requirements New York City has implemented under it’s workfare plan (*The New York Times*, B1). Welfare reform has created a new demand for child care and is meeting it (only partially) at the expense of the working poor, who can least afford to lose the little child care that they have.

U.S. child care policy has shown a commitment to meeting the political demands of those with influence, but not with meeting demands for equitable access to child care. This is evident in the class bias that has always existed in the policies. Non-refundable tax credits have been by far the bulk of federal child care spending, and yet they very disproportionately benefit the well-off. Meanwhile, spending on child care for low-income families has always been significantly lower than needed and the only serious increase that has taken place in a while was last year’s welfare reform law, which created even more demand for child care amongst low-income mothers in the process.

B. Policy Proposals

As child care is still a very contentious issue in politics and economics, there are a multitude of proposals for what the best government policy would be to fix the problems of the child care market. To give a sampling of the proposals and to show how economic analysis can

be used to evaluate such proposals, I will consider two representative ones, one of which is a policy more likely to come from conservatives and the other a traditionally liberal view.

Conservatives tend to be distrustful of government intervention into markets and support giving individuals the freedom to make their own choices within the free market. This philosophy easily extends to child care policy, where it has been proposed that expanded tax credits for children are the most effective way to give working mothers more freedom to purchase child care without distorting the market. This credit, if refundable, would simply increase the non-market income of working mothers and leave them with the option of spending the additional money on child care or whatever else they choose.

Our previously developed time allocation model demonstrates the likely effect of this policy. Figure 4 in the back demonstrates that this policy would shift up the entire budget constraint due to the increase in non-market income and put a woman on a new indifference curve. Interestingly, the new allocation of time would, according to the model, be more in the household and less in the market. The time allocation model concludes that this proposal would actually lessen the demand for child care, then, since women will spend fewer hours in the workforce. Given conservatives' usual preference for more traditional family structures, where the woman stays at home to watch the children, this effect should not come as a surprise.

Besides not subsidizing child care so much as giving women an incentive not to work, this policy also fails to address many of the key problems of the child care market. Assuming women did use the additional non-market income to purchase child care so they could enter the workforce, this proposal does little to fix the market imperfections of child care. Women would still face markets with incomplete information about the quality of child care. For poor women,

search costs would still be high and the market would not provide enough quality child care in a nearby location (unless there was a massive increase in demand for child care, which our model predicts would not happen).

Many liberals have proposed that we need more government intervention to fix market imperfections and increase the supply of quality, affordable care. A typical proposal is to heavily subsidize child care centers so that they cost little or nothing and are present in areas where the market is currently missing or insufficient. This would alleviate problems of both cost and missing markets, although it would come with a very large price tag to the government since it would have to administer a complex national system.

Economic analysis shows that this policy would have the effect of giving women a much stronger incentive to enter the workforce. Figure 5 in the back shows that child care provider subsidies would both increase a woman's effective market wage because child care costs have fallen or disappeared and would change the slope of her indifference curve so that it favors market work more because she can be much more confident that her child is in a quality government day care center. Just as the conservative proposal gave women an incentive to stay home, this proposal reveals the more typically liberal belief that women should spend time in market work.

A major flaw with this plan is that in order for it to be at all cost-effective, it would have to take advantage of economies of scale and thus not be in close proximity to many working women. Because so many poor women do not have access to transportation, child care centers would have to be plentiful in order to fix the missing markets so many poor women face. This would create enormous costs, however, because the government's to constructing and

administering enough child care centers so that all women have easy access to quality child care would necessitate a large government bureaucracy to oversee all the centers. This would take away the one efficiency advantage that the government has over the private sector: economies of scale. There are also many political questions involved in such a massive government undertaking. What level of child care quality would be considered sufficient for government-run centers would surely be a constant debate since different interest groups will inevitably push for what is in their interest and not what is best in the child care market. Additionally, we must address the simple point that it is very unlikely such a large government intervention in the private market is likely given that the current political climate does not welcome large, new government programs.

Although both of these plans have some merit and could improve upon the current situation, I reject them as insufficient and unrealistic plans to address the fundamental problems with which the child care dilemma faces us. The conservative proposal doesn't take on market imperfections and it tries to fight against the societal trend of women entering the workforce. Given countervailing trends such as men's declining real wages (Council of Economic Advisors, 174) and women's increased education (Blau and Ferber, 144), the goals of this proposal are both unrealistic and, because of increasing support for women in the workplace, undesirable to many. The liberal proposal, on the other hand, does address the reality of women's increased involvement in market work and helps them adapt to it through subsidized child care. It also addresses market imperfections such as missing markets and imperfect information (assuming government subsidized centers all adhered to certain guidelines). Its failing, however, is in its enormous cost which would eliminate any efficiency gains that could created over the private

sector. The program would either have to be terribly inefficient or it would have to have large central child care centers, which would be inaccessible to many poor women. If the argument for equity were sufficient, of course, this proposal could be justified. I have developed a policy proposal, however, which would create a more equitable child care market with much less efficiency loss over the private market.

C. My Proposal

In developing my proposal, I set out to address problems of cost and missing markets, like the liberal proposal above, but without the tradeoff between efficiency and accessibility. I also drew on the conservative idea of putting the ultimate purchasing power for child care in the woman's hands so that she is not constrained by the choices the government presents her with and there is not a need for expensive government bureaucracy. This proposal also addresses many of the child care demands brought up by welfare reform and in fact acts to help women get off of welfare as the law requires.

In order to create markets that will be accessible and high quality, my proposal draws on the fact that low-income women tend to live near other low-income women, most of whom are not employed, at least on a regular basis. I propose that the government should train some women in poor areas to provide child care services and then set them up in small collectives where the women could provide care to other poor working mothers in the surrounding area. These women would not run large child care centers which would require massive investment, but rather small localized centers which could easily operate out of apartment buildings such as public housing. The costs to the government would thus be significantly lower than owning and operating its own centers since start up costs would initially involve training and perhaps small

loans or grants for supplies, but after that would be minimal, involving only occasional investigations for health and safety reasons. This would also solve the problem of access, since small cooperatives of trained women could operate in any neighborhood with a concentration of poor women in need of child care.

This program would certainly not be cheap, however, since government would have to subsidize the demand side of the market for poor women. The government should give vouchers, whose value declines as women's incomes increase (although the decline should be much slower than income growth so that there is not a disincentive to earn more money), to poor women so that they can obtain child care in any form they choose. These vouchers should be sufficient for any woman to afford child care of at least the same quality that is available from the women who have been trained by the government. The economic effect would be the same as we see in Diagram 5 from the previous proposal to subsidize child care providers, since it has the same effect on the cost to working mothers. The main differences, however, are that women still have a choice as to what child care they want to send their child to (if there is more available besides a cooperative of trained, poor women) and that locally accessible, quality care is assured. In terms of choice and competition, this proposal more closely models the conservative proposal discussed above.

This proposal addresses all the main flaws of the child care market that we have seen. Cost is subsidized by the government, there are multitudes of available, qualified child care providers so that accessibility and quality are not issues, and the child care providers are most likely local women, so information is easily spread. Although it would not be easy to pass such a comprehensive program that costs money through Congress, it is certainly feasible because it

addresses many of the problems that arise from insufficient child care funds in the welfare reform law. By passing this program, the government would not only provide child care to many women who are required to work, but it would also generate employment in the child care sector for many other women, thus making significant progress toward meeting the law's work requirements. By framing the proposal in terms of welfare reform and poor women entering the workforce, the problems of the child care market could be addressed, making it more efficient and equitable for those who need child care the most.

V. CONCLUSION

Although they have yet to become a major focus of economic analysis and are only slowly becoming part of accepted economic models, women's concerns such as child care can benefit greatly from careful economic analysis. This challenges economists to reconsider the models they use, but as we have seen, this shift can be done without trashing the essence of economic theory. These revised models can then be used to create powerful analyses of issues that impact women's everyday economic lives and help find solutions.

In the case of child care, economic analysis reveals that it has a significant impact on women's participation in the labor force, both in theory and in practice. By demonstrating the economic importance of child care, it becomes much easier to demonstrate why problems such as incomplete information, missing markets, and high costs relative to demanded quantity are problems, even though women in need of child care have surely been aware of them long before economics deemed them worthy of studying. The child care market is revealed to be full of flaws such as these, which make quality child care only accessible to the well-off and prevents many

poor women from entering the workforce full time, even though they may genuinely want and need to do just that.

Finally, public policy plays a crucial role in the child care debate, since government involvement is called for in such as case of market failure and the U.S. government has been involved in child care for over twenty years now. Unfortunately, government child care policy has a classiest tilt which only exacerbates the inequalities that the child care market already produces. Effective public policy is needed to address the market imperfections that negative impact poorer working mothers who can not afford or access the quality child care they need to enter the workforce. There are a variety of existent proposals to address this need, but the best one would train poor women themselves to provide child care in their neighborhoods to their working neighbors, who would have vouchers to pay for the care they need to enter the workforce. Such a proposal would significantly benefit many working mothers by addressing market imperfections that impact them not only economically, but socially and politically. The value of extending and refining economics so that it considers the economic realities of all people is thus revealed through an analysis of the child care market's imperfections and the use of economic analysis to develop effective policy proposals

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Web Sites

CDF - A voice for Children: http://www.childrensdefense.org/voice.html

Implementing the new Welfare Law: http://www.childrensdefense.org/implementlaw.html

Summary of the New Welfare Legislation: http://www.childrensdefense.org/welfarelaw.html

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