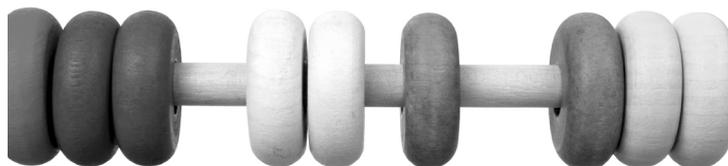


# Parentonomics

An Economist Dad Looks at Parenting



**Joshua Gans**

The MIT Press  
Cambridge, Massachusetts  
London, England

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This book was set in Sabon and Helvetica round by SNP Best-set Typesetter Ltd., Hong Kong.

Printed and bound in the United States of America.

Library of Congress Cataloging-in-Publication Data

Gans, Joshua, 1968–

Parentonomics : an economist dad looks at parenting / Joshua Gans.

p. cm.

Includes bibliographical references and index.

ISBN 978-0-262-01278-2 (hardcover : alk. paper)

1. Parenting.
2. Child rearing—Economic aspects.
3. Responsibility in children. I. Title.

HQ769.G257 2009

332.024'0085—dc22

2008032752

10 9 8 7 6 5 4 3 2 1

Published for sale in Australia and New Zealand by University of New South Wales Press Ltd.

# Preface

One of the most challenging parts of lecturing in economics is making it relevant for students. My strategy has been to liberally use examples from popular culture to bring ideas into the classroom. Thinking about how Monica and Rachel from *Friends* could divide up household chores, what sustained the reputation of the Dread Pirate Roberts in *The Princess Bride*, and the protocols for haggling in *The Life of Brian* could easily fill up an undergraduate classroom. But when it came to teaching MBAs, there was a new challenge. Their ages and age range made it hard to find the salient pop culture references. And their craving for relevance to their own careers and decisions drove everything. Sure, I could find examples from business—but usually they were so bound up with complexity and context that it was hard to make them hit home in one crisp, clear blow.

Then, in 1998, we had our first child. All of a sudden our everyday life became one big economic management problem. Not every parent sees it this way, but every parent faces the same issues. Among the more mature students in my classroom

there was both empathy and common ground. And so, slowly at first, as I gathered my own experiences, I began using parenting examples to illustrate economic points.

A lot of my classes involved predicting what might happen if you introduce change when two or more people interact with one another; something that happens in markets and inside firms every day. One such situation is where a person—termed, in economics, the principal—is trying to get another—the agent—to do something they ordinarily would not want to do; like an employer trying to get an employee to work hard. Suffice it to say, this situation alone describes the life of a parent. You, the principal, try to get your child, the agent, to do various things, from sleeping, eating, toileting, and behaving to refraining from lying, cheating, stealing, and the use of violence on others. The question was whether economics—which worries a lot about incentives—could be of any use to parents—who also worry a lot about incentives.

It is perhaps a misconception among noneconomists that economists are unduly enamored by incentives and what they might do for the world. Indeed, nothing could be further from the truth. Yes, it is true that incentives appropriately applied, in an appropriate situation, can generate some good outcomes. But, more often than not, putting incentives in place is risky. Much can go wrong. For instance, if you make an employee's pay depend upon their sales outcomes, you can find yourself losing those employees in recessions or end up having to pay them more, on average, to compensate. Or, if you give an employee a bonus for outperforming their sales numbers this year compared with last year, don't be surprised if they shift their numbers and maybe client deliveries around to make sure there is always growth.

As I tried to illustrate the ways that incentives could go wrong, my own parenting experiences increasingly came to the fore. And while it was not all I talked about, it is what students appeared to remember. When I saw them years later, they would recount back to me the story of how my daughter, who was allowed a treat if she successfully went to the toilet, would sit there until something came out. They would tell me that it actually changed the way they approached a contract negotiation or a personnel management issue. It wasn't that they were treating the other side like children, just that the story had made the economic message stick.

And they were not the only ones. My colleagues, in particular, seemed to enjoy the economic content in my own parenting dilemmas. They weren't learning from it as much as laughing at my struggles, feeling empathy, or using it as an opportunity to amuse themselves about how economists survive in the real world. A fellow economist and good friend, Catherine de Fontenay, urged me to start writing this stuff down. It took a while, but I finally accepted that advice and started a blog.<sup>1</sup> As a new year's resolution to write about economics and parenting, I wrote one long post on January 2, 2003. However, as is the nature of these things, there it remained until 2006 when I took up blogging in earnest and rediscovered it. A few months later, it seemed that there might be enough material for a book. Those who had initially urged me to write, now urged me to reach beyond the blog. And so *Parentonomics* was born.

Nonetheless, a few disclaimers are in order. In my day job, I'm an economics professor. That means a few things. One is that I generally write about things that I have researched and can claim some expertise about. This book, however, is far from scholarly. While I can claim expertise in the economics

you will read about in the ensuing pages, the parenting is another matter.

I have never researched parenting science and child behavior beyond my reading as a layperson. There is a lot of research out there in psychology and related disciplines, but it is beyond my expertise to digest it and offer authoritative commentary on it. Many of the ideas I put forward here may not be original, so I don't want to claim them as such.

What's more, my parenting experience could hardly be claimed to be the norm. I have three children, and so the experiences I recount here are based at best on that sample of three. This is not the sort of experience you would use to tell you something about averages or anything scientific.

Instead, my goals are much more limited. This book continues my mission to educate the world about economics and what it can do. I will illustrate various economic concepts, but only as they relate to parenting issues.<sup>2</sup> This means that my coverage of economics will be haphazard and incomplete. Despite this, my modest hope is that in reading this book, you will learn a bit more about economics and economists—and about their limitations. I'd like to think that my own trials might even entertain you along the way.

I want to be able to look back upon this book as a record of what I was thinking during a particularly important period of my life. It is very personal. As you read it, you'll learn a lot about my children and my spouse, and about me. Occasionally, you will learn about my friends, and some others who have put their stories in the public domain. You'll find that I have a distinctively economic perspective on things, and you might find that somewhat stark.

This book should not be considered a parenting manual. I will offer advice. I find it hard not to. But, as a scholar, I want to warn you to discount this as anything prescriptive—you'll need to make your own parenting choices.

Nonetheless, as with all such books, this one may provoke you to think more about choices you face or will face as a parent. What I offer is a fresh perspective, a way of looking at parenting issues that is different, analytical, and maybe even useful; or at the very least, amusing. I know that I enjoy reading what anyone says about child rearing. So it may be that this book adds to the mix, stirring up its own juice and bringing out some flavor.