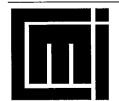
# Share-tenancy within the household unit

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## **Summary:**

Virtually all peasant household models assume efficient allocation of household productive resources between different household activities. In an African context characterised by different plots of land being cultivated and controlled by different household members, the efficiency assumption has been shown to be incorrect. In order to capture central aspects of African household organisation, this paper introduces the "share-tenancy" household model viewing the husband-wife relationship as a landlord-tenant relationship. The assymetric relationship existing between husband and wife influences the way they react to changes in exogenous variables and explain the often observed lack of correspondence between changes in producer prices and agrarian output levels. The model also shows how such changes may influence the welfare levels of different household members in various ways.

### **Indexing terms:**

Peasant households Share-cropping Gender Division of labour Africa

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### Introduction\*

Economic reform programs in developing countries often contain an element labelled "getting the prices right". By this is meant removal of regulations etc. which result in distorted price regimes, regimes not reflecting the true alternative cost of resources and products thus giving wrong signals to the actors in the economy. As part of the policy reform taxes are removed and tariffs reduced. The aim is to increase producer prices in order to enhance production and income. There is, however, a widespread recognition that the supply response to the liberalisation of prices have been disappointing (Campbell & Warner, 1997, Evers & Walters, 1998) and that the costs and benefits tends to distribute unequally between men and women (Elson, 1991).

The motivation behind this paper is to provide a possible explanation for the weak supply response in an agrarian African setting, as well as for the variable welfare effects. In order to do so an economic model capturing essential aspects of African peasant households is put forward. Unequal control over resources and conflicting interests among family members are central elements in the model.

Economic theorising on family behaviour normally assumes the family to maximise a common household function. Traditional agricultural household models, of which Singh, Squire & Strauss (1986) is an often quoted example, build upon this assumption and presume all household land and labour to be pooled and utilised according to comparative advantages. As a result the outcome reached is efficient. Within this efficiency approach, no conflicting interests or disagreements exist.

<sup>\*</sup> I would like to thank Urgurhan Berkok, Ragnhild Balsvik, Bjørn Sandvik and two anonymous referees for insightful comments. The usual caveats applies.

Nash-bargaining models brought conflicting interests related to intrafamily distribution to attention (Manser & Brown, 1980, McElroy & Horney, 1981). These models addressed distributional conflicts and predicted goods to be distributed between family members according to the bargaining power of the different members. The goods bargained over, however, were assumed brought forward by efficient use of household resources. With regard to production therefore, these models continue to be efficiency models. The same goes for more general collective approaches to household behaviour put forward by Chiappori (1988) and Bourguignon, Browning and Chiappori (1994). With regard to an African context, though, Urdy (1996) shows that the conventional pooling model of household resource allocation is false and that both co-operative bargaining models and the more general model of efficient household allocations are inadequate for describing the allocation of resources across productive activities in the household.

In order to capture the African situation, therefore, non-cooperative models of household behaviour should be considered. Non-cooperative models of family behaviour point to the fact that individual family members have individual rather than family welfare in mind when acting. In deciding upon the control variables under their command, individuals choose the options maximising their individual welfare even though such choices might result in inefficiencies reducing family welfare. Non-cooperative models analysing distributional conflicts within the household encompass the work of Leuthold (1968), Ulph (1988), Wolley (1988) and Koreman & Kapteyn (1990). Non-corporate models incorporating household production as well as consumption include Bragstad (1991), Lundberg & Pollack (1993), (1994) and Konrad & Lommerud (1995a), (1995b). These models assume each household

member to control a given resource endowment (labour, land) he or she individually allocates to private or public good provision. Distribution within marriage depends on these individual resources or the economic value these resources represent for the spouse.

The anthropological literature on agricultural households in Sub-Saharan Africa documents a wide variety of farming systems. Despite the variation however, one outstanding characteristic is for men and women of the same household to grow private plots, controlling the output individually. Household income is usually not pooled. Another outstanding characteristics is that when households produce both for the market and for the family, men usually concentrate on cash-crops and women on subsistence crops. A third characteristic is the gendered labour pattern prevailing, crosscutting the gendered plot structure. This gendered work pattern requires the individual producer to mobilise family or extra household labour in order to grow his/her land. Due to male seniority and the fact that men have ultimate control over land, men are more able to mobilise labour than women. Women on their part are obliged to perform domestic work in addition to their agricultural work. As a result women usually work longer hours than men (Koopman, 1993).

Darity Jr. (1995) present a model of agricultural household production encompassing central characteristics of the Sub-Saharan agricultural household organisation. Men work on the cash crop and seek to maximise their income. They do not contribute to the subsistence sector which is considered "women's work". Women, on the other hand, have a commitment to perform "female tasks" on cash crop land in addition to their subsistence obligations. A higher demand for cash crop will increase the demand

for female labour within cash crop production. The demand is assumed enforced by a combination of acceptance of gender norms, female identification with family interest, some extra income and force. The effect of increased labour input in cash crop production is reduced labour input elsewhere and increased effort intensity. However, given the women's prior commitments to the subsistence sector, there is some minimum input into the subsistence sector which may restrict their supply response to higher demand from the cash crop sector.

Evans and Walter (1998) examine the Darity's model of gender-segregated agrarian society in light of evidence from Uganda. They find that the rural household organisation in Uganda fit several of the stylised facts of the Darity model. They point out, however, that the model's main weakness, which do not appear to fit evidence from Uganda or elsewhere, is the assumed passivity of women as women are presumed to act reactive rather than purposive. They suggest, therefore, to include maximisation of a female objective function and to re-formulate the model in terms of a bargaining framework. From a technical side Campbell & Warner (1997) show that as formulated, there is no internal maximisation solution possible in the Darity model. Part of the reason they see as the man's assumed ability to determine the woman's labour allocation as well as the wage she receive from working the man's cash-crop land. In their view the best solution to this problem would be to model a non-symmetric bargaining process within the household.

Balsvik (1995) apply a bargaining framework to analyse supply reaction within African rural households. She assume, in the same manner as Darty, men and women to control independent plots of land and male cash-crop production to be dependent

upon input of female labour. By applying a bargaining approach she shows that the woman's supply of labour to male cash-crop production depends upon her bargaining power, determined by her fall-back position within marriage and the probability of divorce.

That women act according to own interests rather than passively fulfilling gender ideologies, is evident from many part of Africa. Among the Mossi of Burkina Faso in Western Africa the proverb goes; "women's fields are made at night", indicating the men's prominent role in directing women's labour toward their own fields (Kevane & Gray, 1998). When investigating the women's time allocation through interviewing the women, however, it turned out that the women worked for their husbands approximately one day a week (Kevane & Wydick, 1998). The divergence between ideology and reality reveal that the women have been able to lower their work burden on male land either through bargaining or by utilising the fact that men, due to the gender segregated work, may be unable to control the activities of the women.

In the following a household model characterised by a gendered plot and labour structure is put forward. Men grow cash crops and women food crops. The men control the cash-crop output and the income derived. The women control the food-crop harvest and derive their personal incomes from sales of output exceeding family consumption needs. In contrast to the Darity (1995) approach, our model assume both men and women to act purposively and to maximise their individual objective functions. The main difference between the sexes lies in their access to the productive resource land. Men have ultimate control over all household land, both male and female. This implies that in cases of marriage split up, due to divorce or death of the

husband, women lose their access to household land. The women's inferior access position, however, do not allow men the ability to direct the women's labour power to their liking as such direction require close monitoring. The gender segregated labour pattern prevailing make such monitoring costly.

### The share tenancy household model

The fact that household land is a male controlled resource women can gain access to through a man only, combined with few alternative employment opportunities for women in rural areas, gives the man the power to arrange the relationship between the spouses to his benefit. The husband-wife relationship is thus seen akin to a landlord-peasant, or more generally a principal-agent, relationship. The man, due to his control over land, can be considered principal whereas the woman, lacking such control, must be considered agent. Getting married therefore can be seen as the family version of entering into a principal-agent relationship. The conjugal or marriage contract, specifying the terms between the spouses, acts as the family version of the principal-agent contract. As part of this contract, the man delegates a part of his land to his wife (wives), getting the right to be fed by her in return. In addition the wife is obliged to work his plot(s) of land. For this labour supply the woman is compensated by a share of output produced.

The share-tenancy household in this paper is modelled as follows. The conjugal contract gives the woman the right to a part of household land as her private land. On this land she grows grain which either can be sold in the market or used as input in her food production. We have assumed no market for ready made food, requiring all food

to be produced within the household. As compensation for the land the man has the right to a share of his wife's food production. In order to simplify the analysis, the amount of land delegated to the woman and the share of the food belonging to the man is assumed exogenously given, determined by social norms in the society. On the man's plot, cash-crops (cotton, tobacco, groundnuts, rice et. al) are grown for the market. Cash-crop is assumed not consumed by the household. In order for the man to induce his wife to work the cash-crop land, he gives her a share of cash-crop output. The size of this share is controlled by the man. In addition to working the household land and doing domestic labour, the woman can work in the market. The income derived is used to buy market goods, goods the household cannot produce itself. In order to simplify the analysis the woman is assumed the sole producer of both food and cash crop. The man is thus seen as a pure landlord renting out his land in exchange for a share of his wife's output of food and cash-crop.

The model is inspired by West-African intra-household relations observed in rural areas going through developments projects and other modernisation approaches aimed at increasing the degree of commercialisation in the area. In the Gambia a rice project partly initiated by the government transformed the production of rice from subsistence, mainly female controlled crop, to a cash-crop controlled by the men. Rice production, however, continued to be heavily dependent on female labour. In order for the women to be interested in supplying labour, they had to be compensated either by controlling some rice land or by getting a share of the paddy produced. If they received neither, they chose to hire themselves out as wage labourer or concentrated

<sup>&</sup>lt;sup>1</sup> To control some rice land is equivalent to a share crop system where the woman gets all the output on a share of the land.

on working their dry land crops (Carney & Watts, 1990). For north Cameroon, Jones (1986), pointed out that women, working on their husbands cash crop fields demanded to be paid according to their input of labour and that they, rather than working for their husbands for only nominal compensation, often chose to work on their own less productive food crop fields or to hire themselves as wage-workers for outsiders. Given inadequate registration of labour input in the society, payment according to labour input may in practise imply an output dependent payment scheme. Jones is not clear on this issue, but her demonstration that women in households controlling more cashcrop land received a higher rate of compensation than those whose husband cultivate less such land - for the same amount of time devoted to cash crop production as recorded by Jones- indicate an output related payment scheme. Among the Mossi of Burkina Faso women, married to settlers in a cotton production scheme, were generally compensated by a portion of the cotton harvest when working on their husbands cotton fields (McMillan, 1995). Kevane and Gray (1998) also found that women in cotton producing areas of Burkina Faso were entitled to a share of their husbands cotton production. In addition the women worked their individual land and/or worked as labourer in the market. The literature thus indicate a setting where the woman operate as sharecroppers on their husbands cash crop land - receiving a share of total output as compensation – in addition to working their individual land and/or working in the market.

The literature indicate also a relative permanent land allocation structure where land is delegated according to custom and tradition. In spite of male land ownership their dispositions tend to be circumscribed by social conventions. Changes in land

allocations tend to arise as response to changes in external factors influencing existing conventions. Influential external factors in this respect are governmental initiated development projects and/or high in-migration resulting in increased cash-crop land scarcity. The effect of such changes on the women's access to food-crop land is smaller the more different the types of land required for the two types of production (e.g. dry land- versus swamp land production). The effect is also smaller the more able the women are to substitute loss of food-crop land from within the household with land obtained from outsiders. As land become more scarce, surplus land households become more interested in renting out land to women as women - as opposed to men cannot claim permanent land rights to land they have grown (Kevane & Gray, 1998). The modifying effect of conventions combined with strategies to keep control over land by renting it out to women as land become more scarce, circumscribe the husbands' ability to choose the amount of food-crop land to delegate to their wives and render the allocation relatively exogeneous.

Within the model presented the focus is on the husband-wife relationship and on the goods produced and consumed within the household. As there is no market for ready made food in the economy, the man's access to food goes through his wife. In such societies, however, the woman's food production (and consumption) may represent more than sheer food access for the man. As feeding the family is a central female responsibility, the amount of food at the women's disposal is often considered an important aspect of a woman's general well-being in the society. Furthermore, as the contract partners in traditional arranged marriages are the families of the spouses rather than the individuals themselves, marriage is in many respects closer to an economic and political alliance between families than a personal alliance between

individuals.<sup>2</sup> Man and wife may as a result be viewed as representatives of their respective families rather than as independent, isolated individuals. The treatment they receive within marriage will as a consequence become a concern not only for the persons directly involved but also a concern for their respective families. By treating the spouse well, respect and esteem is shown towards his/her kinsfolk. And by showing respect, good relations are established. In many societies good relations to one's affinals are essential in order to raise economic and political support needed to obtain a good living. By treating food production as an indicator of the man's relations to his wife's kin, the amount of food produced influences the man's well-being both directly via his consumption of food, and indirectly via the establishment of relations to his wife's kinfolk. The importance of kin relationship can be seen by the tendency of women, who hold the opinion that their men do not behave as husbands should, to complain to their fathers and brothers in order to make them intervene. The woman's kinfolk thus act as an informal court of appeal controlling the terms of the marriage contract and that these terms are adhered to.

Given the share-tenancy framework, the effects of changes in exogenous parameters like crop prices and the wage rate are investigated. We are interested both in how individual producers and households react to changes in the price of labour and male and female products, as well as how individuals and households themselves are affected by these price changes. Due to the fact that agricultural products are

<sup>&</sup>lt;sup>2</sup> In rural areas in developing countries arranged marriages are far the most common marriage practise where the families, especially the woman's family, participate in the marriage negotiations on behalf of their daughter/sister.

important export products for many African countries, a better understanding of the mechanisms at work are important also with respect to national income situations.

The rest of the paper is organised as follows. First the woman's and thereafter the man's maximisation problem are presented. When maximising the spouses are assumed to take the structure of the marriage contract as given. They do not contest or bargain over the woman's right to control food-grain land, her duty to feed the family or the man's right to determine the share on cash crop land. Given the husband's and the wife's optimal adaptation, the effects of a change in the price of cash-crop, food-crop and the market wage rate are traced.

#### The woman

The woman is assumed to maximise her utility function, defined over food,  $Z^w$ , market goods, M, and leisure time, l.

$$U = \left(Z^{w}\right)^{\sigma_{t}} \left(M\right)^{\sigma_{M}} \left(l\right)^{\sigma_{l}} \tag{1}$$

In doing so she has to take into account the fact that only a given amount of the food she produces is consumed by her. Let Z be the total quantity of food produced and l-r the share belonging to the woman.

$$Z^{w} = (1 - r)Z \tag{2}$$

The food is produced by combining given proportions of grain and labour time.

$$Z = aY_{gz} = bl_{z} \tag{3}$$

where  $Y_{gz}$  is the amount of grain used as input in food production and  $l_z$  time used to produce food. The time allocated to the different activities leisure, l, food production,  $l_z$ , production of cash crop,  $l_c$ , and grain,  $l_g$ , and time sold in the labour market,  $l_w$ , cannot exceed the total amount of time available, L.

$$l + l_z + l_c + l_g + l_w \le L \tag{4}$$

The income spent on market goods and grain must be smaller than or equal to the income earned by working in the labour market and selling the output from cash crop and grain production.

$$M + p_g Y_{gz} \le w l_w + (1 - s) p_c Y_c + p_g Y_g$$
 (5)

Total cash-crop production is denoted by  $Y_c$  and the price of cash-crop  $p_c$ , total grain production by  $Y_g$  and the price of grain by  $p_g$ . Market goods M is chosen as numeraire and M can alternatively be seen as the money income needed to buy market goods. Equation 5) captures the fact that the woman receives only a share (1-s) of total cash-crop production.

The woman's problem can now be solved through a two-step procedure. First we consider her allocation of time to different income generative tasks and thereafter the allocation of time between market production, production for household consumption

and leisure time. The woman's optimal allocation of labour time to food-crop and cash-crop production, is the outcome of her profit-maximising strategy with respect to food- and cash-crop production.

Assuming constant returns to scale Cobb-Douglas production functions in cash-crop and food production,  $Y_i = h_i^{\alpha_i} l_i^{(1-\alpha_i)}$ , the woman's labour-supply functions becomes.

$$l_i = h_i \left( \frac{w}{(1 - s_i) p_i} \frac{1}{(1 - \alpha_i)} \right)^{\frac{1}{\alpha_i}} \tag{7}$$

The woman's labour supply is a function of the supply of land to cash-crop and food-crop production,  $h_i$ , the technology parameter,  $\alpha_i$ , and the real wage rate. In cash-crop production this real wage rate will be "tax" corrected, the tax being the share of the output going to the man. The woman's output,  $Y_i$ , and profit-functions,  $\pi_i$ , are equal to:

$$Y_i = h_i \left( \frac{w}{(1 - s_i) p_i (1 - \alpha_i)} \right)^{1 - \frac{1}{\alpha_i}}$$
(8)

$$\pi^{i} = \left( \left( 1 - s_{i} \right) p_{i} \left( 1 - \alpha_{i} \right) \right)^{\frac{1}{\alpha_{i}}} w^{1 - \frac{1}{\alpha_{i}}} \frac{\alpha_{i}}{1 - \alpha_{i}} h_{i} \tag{9}$$

By combining equations 2), 3) 4) and 5), given 9), the restrictions become one.

$$M + p_z Z^w + wl = m (10)$$

where 
$$m = wL + \pi^c + \pi^g$$
 and  $p_z = \frac{1}{1 - r} \left( \frac{p_g}{a} + \frac{w}{b} \right)$ 

The price  $p_z$  is a price index for food, where the expression inside the parenthesis is an index for the Leontieff technology and  $\frac{1}{1-r}$  is a modification resulting from the fact that the woman only keeps (1-r) of Z.

Maximising the women's utility function 1) given the restriction 10), the woman's demand functions for food, market goods and leisure are given by:

$$X_{k} = \frac{\sigma^{k} m}{p_{k}} \qquad k = Z^{w}, M, l \quad \text{and} \quad p_{l} = w, \ p_{M} = 1$$
 (11)

The women's demand functions determine her reactions to changes in exogenous variables. As such they influence the man's maximisation problem. The woman's indirect utility function becomes:

$$U^* = m\vartheta \qquad \text{where } \vartheta = \left(\frac{\sigma^z}{p_z}\right)^{\sigma^z} \left(\sigma^M\right)^{\sigma^M} \left(\frac{\sigma^l}{w}\right)^{\sigma^l} \tag{12}$$

The women's indirect utility function show her maximum achievable utility at given prices, income and production parameters.

#### The man

In exchange for the use of the land, the husband has the right to obtain a share of his wife's production of food and cash crop. As a consequence, his utility depends on his wife's time allocation. By changing the control parameter under his command, i.e. the tax on cash crop production, s, the man can influence her time allocation.

The man is assumed to maximise his utility defined over his consumption of food,  $Z^m$ , and market goods, N, given the restriction that his wife will not dissolve the marriage contract by divorcing him.

$$\begin{aligned}
Max V &= \nu \left( Z^m, N \right) \\
subject to U^* &\geq K
\end{aligned} \tag{13}$$

The constraint is the wife's acceptance condition, given her first order condition for labour allocation. K is the woman's reservation utility level, the utility she can receive by operating outside the marriage context. K is assumed exogenously given.

Since the man's control parameter influences his wife's production of both food and cash crop, he may be unable to secure optimal amounts of both goods and at the same time push his wife down to her reservation utility level. As a result the restriction may not bind. A non-binding restriction reveals that the woman experiences a welfare level above her reservation utility level when married. This being the case, she has no incentive to dissolve the marriage contract. The man will thus not have to take the possibility of divorce into consideration when maximising his utility, but can

maximise his unconstrained utility. Assuming a Cobb-Douglas function, inserting  $Z^m = \frac{r}{1-r} Z^w \text{ and } N = sp_c Y_c \text{, the man's utility function is given by;}$ 

$$V = \left(\frac{r}{1-r}Z^{w}\right)^{\phi} \left(sp_{c}Y_{c}\right)^{1-\phi} \tag{14}$$

His first order condition for utility maximisation is:

$$\phi \frac{\pi^c}{m} = (1 - \phi) \frac{\alpha_c - s}{s} \tag{15}$$

The second order condition is equal to:

$$V_{ss} = \frac{V}{(\alpha_c (1-s))^2} \left[ \phi \frac{\pi^c}{m} \left( 1 - \frac{\pi^c}{m} \right) - (1-\phi) \frac{\alpha_c^2}{s^2} (1-s) \right]$$
 (16)

The second order condition is negative given that  $\frac{\pi^c}{m} \left( 1 - \frac{\pi^c}{m} \right) < \frac{1 - \phi}{\phi} \frac{\alpha_c^2}{s^2} \left( 1 - s \right)$ 

The probability that the second order condition is fulfilled is larger a) the more unequal the woman's income shares, b) the less the man value food as part of his total consumption and c) the larger the production parameter  $\alpha_c$  relative to the share s. In the following the fulfilment of the second order condition is assumed.

The first order condition for the man's utility maximisation is equivalent to:

$$\phi E l_s Z^m = (1 - \phi) E l_s N \tag{17}$$

The first order condition for utility maximisation tells that the optimal tax s is found by equating the subjective value of the percentage reduction in the man's food consumption resulting from an one percent increase in the tax rate s with the subjective value of the percentage increase in his market good consumption brought forward by the same tax increase. The subjective value parameters are the weights assigned to food,  $\phi$ , and market goods, I- $\phi$ , as parts of the man's total consumption.

From 15) it follow that  $s \leq \alpha_c$ . The intuition is that an increase in s will have two opposing effects on the man's ability to buy market goods. A higher s will increase the man's share of the total income from cash crop production, increasing his buying power. But at the same time it will reduce the woman's supply of labour to cash crop production, reducing the total quantity grown. When  $s > \alpha_c$  the negative "production effect" dominates the positive "share effect" resulting in reduced money income for the man. He will thus never choose  $s > \alpha_c$ .

Should the restriction be binding is the man's control parameter, s, given by the woman's acceptance condition. Solving  $U^* = K$  with respect to s, where  $U^*$  is given by 12), the restriction-binding tax rate,  $\bar{s}$ , is found to be;

$$\bar{s} = 1 - \frac{w}{p_c} \frac{\left(\frac{\bar{l}_c}{h_c}\right)^{\alpha_c}}{1 - \alpha_c} \qquad \text{where } \bar{l}_c = \left(\frac{1}{\vartheta} K - wL - \pi^{\vartheta}\right) \left(\frac{1}{w} \frac{1 - \alpha_c}{\alpha_c}\right)$$
(18)

The nominator,  $\bar{l}_c$ , is the woman's input of labour to cash crop production when her utility equals her reservation utility level. The restriction-binding tax rate  $\bar{s}$  is larger a) the smaller the labour input,  $\bar{l}_c$ , b) the bigger the input of land,  $h_c$ , c) the lower the real wage in cash crop production,  $w/p_c$ , and d) the bigger the relative weight of labour input,  $1-\alpha_c$ , in the total output of cash-crop production. A lower real wage results in higher profit and higher income. Higher  $1-\alpha_c$  gives higher output per input of labour into cash crop production, and thereby higher income. A higher income gives more room for increases in  $\bar{s}$  without the woman reaching her reservation utility level. A small  $\bar{l}_c$  on the other hand implies that the woman, for given leisure time and time used to produce food, gets more of her income from sources other than cash crop production. The smaller her income-share from cash crop production, the less is her total income affected by an increase in  $\bar{s}$  and the more  $\bar{s}$  can increase without violating the restriction. To see when the restriction will be binding we use the fact that the woman's indirect utility function  $U^*$  is decreasing in s.

$$\frac{\partial U^*}{\partial s} = -\vartheta p_c Y_c < 0 \tag{19}$$

The restriction is binding whenever the tax rate  $s^*$  solving  $V_s = 0$ , exceeds the tax rate  $\bar{s}$ , given by 17). The optimal rate  $s^*$  is given only indirectly by the man's first order condition, but situations and parameter values making a binding restriction plausible, can still be traced. First, parameter values resulting in a big  $\bar{s}$  make it more plausible for the restriction not to bind. As shown above, a big  $\bar{s}$  is more probable the higher

than cash-crop production. Secondly, a small  $\alpha_c$  (making the right hand side of 15) zero for a small s, thus making it optimal for the man not to increase the tax rate any further), will also increase the plausibility of a non-binding restriction. Thirdly, the more the man values food (or relations to affinals) as part of his total consumption, that is the smaller the ratio  $\frac{1-\phi}{\phi}$ , the higher the probability of a non-binding restriction.

In order to visualise the man's problem, think of it in the following way. The man can be seen as the director of a firm jointly producing the two goods food and market goods. He can thus be seen as facing a transformation curve showing the possible combinations of the two goods given his wife's optimal allocation of labour. The slope of the tangent to a point on the transformation curve is the rate at which one good must be sacrificed in order to obtain one unit more of the other good without varying any of the parameters the woman is facing. This slope is the marginal rate of transformation (MRT) given by;

$$MRT = -\frac{Z_s^m}{N_s} = \frac{Z^m \frac{\pi^c}{m}}{N \frac{(\alpha_c - s)}{s}}$$
 (20)

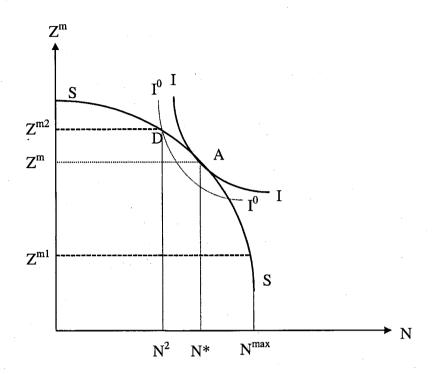
For tax rates exceeding,  $\alpha_c$ , the marginal rate of transformation is not defined. The first and second derivative of MRT with respect to s is positive, ensuring the transformation curve to be downward sloping and concave. The transformation curve is given by curve SS in figure 1.

The man however is not only the director of production, but also the consumer of the produced goods. In order to maximise his utility therefore, the man's objective is to find the tax rate s which results in the transformation curve SS being tangent to his indifference curve II. This condition is fulfilled in the point where the slope of the transformation is equal to the slope of his indifference curve, given by the marginal rate of consumption MRS.

$$MRS = \frac{V_N}{V_{Z^m}} = \frac{(1 - \phi)Z^m}{\phi N} \tag{21}$$

Equating MRT with MRS gives, not surprisingly, the man's first order condition 15). In ordinary market analyses with exogenously given prices, optimum is characterised by the marginal rate of transformation being equal to the marginal rate of consumption which again is equal to the price ratio between the goods in question. Within our household economy therefore, the first order condition can be seen as the man's shadow-price ratio between food and market goods. MRT = MRS is given by point A in figure 1.

#### Figure 1



By changing the tax rate s the man moves up and down the transformation curve, the maximal  $s=\alpha_c$  resulting in  $N^{\max}$ . The man, however, might not be able to reach the first best point A. Whether this is possible or not depends upon the action space open to him. The action space is determined by the transformation curve in combination with the woman's participation constraint  $U^*=K$ , which alternatively can be written  $m=\frac{1}{\theta}K$ . For given parameter values the woman's reservation income, and thereby her consumption of food, market goods and leisure, are given. And since the man's consumption of food depends directly on the woman's food consumption through  $Z^m=\frac{1}{1-r}Z^w$ , a binding participation constraint determines the man's food

consumption as well. Based on this fact, the woman's participation constraint is represented in figure 1 by the male food consumption level it requires<sup>3</sup>.

The participation constraint may or may not bind, dependent upon the amount of food given by the man's first best solution relative to the amount required by the constraint. Assume first that the participation constraint is represented by  $Z^{m1}$ . This constraint will not bind because the man is interested in getting more food (better relations to his affinals) than a binding constraint would result in. On the other hand, a constraint represented by a food consumption equal to  $Z^{m2}$  will bind. In this case the man would have liked to raise the tax rate further in order to get more market goods and less food but is prevented from doing so because a further increase in s will push his wife beneath her reservation utility level. A binding restriction is represented by point D in figure 1.

## Changes in exogenous variables

In this part we want to investigate how changes in exogenous variables affect the productive and consumptive activities of the household, as well as individual welfare. Exogenous variables can change in response to changes in e.g. world market prices or as a function of revised domestic policies. Irrespective of the cause of the change, however, our objective is to investigate how such changes influence household behaviour.

As the participation constraint is not related to the  $\mathbb{Z}^m$ , N space, its exact form in this space is  $\mathbb{Z}^m$ 

We have chosen to analyse changes in the parameters: price of cash-crop, price of grain and the wage rate. These parameters are chosen as they determine the money value of the male controlled cash-crop output, the female controlled grain output and the women's labour time. Given the gender segregated production and consumption pattern within the household, effects due to changes in parameters directly related to male and female activities appear as interesting objects of investigation.

As shown in the previous part, dependent upon whether the restriction is binding or not, two different adaptations prevail. In order to capture the effects of changing parameters therefore, we have to distinguish between the restriction-binding and the non-binding cases.

When the restriction is binding, the man's control parameter, s, is determined by the woman's acceptance condition. Analytically the effect on s due to parameter changes can be found by differentiating the woman's acceptance condition with respect to the parameters in question. These effects, however, are influenced by the assumptions underlying the woman's reservation utility level K. Assuming K constant presumes the woman's reservation utility level to be autonomous and unaffected by changes in the parameters of the model. This specification may cover situations where unmarried women live together with their kin, taking part in their productive activities and receiving goods equal to a socially defined utility level K in return. The alternative to marriage however, may be for women to live on their own selling their labour power in the labour market. In order to feed themselves (and their children) they must buy grain in the market and transform this grain into food by the use of their unpaid labour power. The reservation utility level K will now be influenced by changes in the wage

rate, w, and the price of grain,  $p_g$ , as will be spelled out in more detail later. We will denote the two situations 'living with kin' and 'living alone'.

#### Higher price on cash-crop

We start out by examining the effect of a higher price of cash-crop on the man's share parameter, on household production and individual welfare. First we consider the situation without a binding participation constraint and thereafter the situation when the restriction is binding.

#### A non-binding participation constraint.

A non-binding restriction reveals that the women's utility level exceeds her reservation utility level. The tax on cash crop production is thus determined by the man's unconstrained first order condition for utility maximisation. The effect of changes in exogenous parameters on the man's share parameter is traced by differentiating his first order condition 15) with respect to the variables in question.

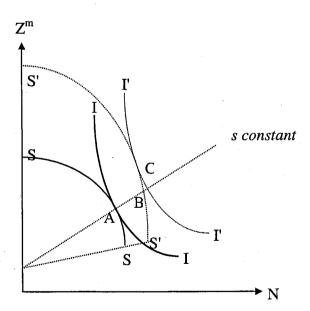
$$\frac{\partial s}{\partial p_c} = (1 - s) \frac{Y_c}{m} \left( 1 - \frac{\pi^c}{m} \right) \frac{V}{\alpha_c (1 - s)} \frac{1}{V_{ss}} < 0 \tag{22}$$

The effect is negative by the second order condition for an optimum given by eq.16).

When the price of cash-crop goes up, the man's income and thereby his access to market goods goes up as well. A higher price has a direct positive effect on his income by increasing the value of his share of cash-crop output. In addition to this it has an indirect effect through changes in the woman's production of cash-crop. A higher

price increases the woman's profit within cash-crop production inducing her to expand the production. The indirect effect thus reinforces the direct effect, resulting in a further increase in the man's income. Higher profit within cash-crop production increases the woman's income as well. The income increase induces her to demand and produce - more food. For a given share s therefore the man gets more of both goods. This change is portrayed in figure 2 by the move from A on the original transformation curve SS, to B on the new transformation curve S'S'. For  $\pi^c < m$  and s constant, B is given by the intersection between the new transformation curve and a straight line through A with a positive slope and a positive intersection at the  $Z^m$  axis (see appendix).

Figure 2.



Due to a higher price on cash-crop both profit,  $\pi^c$ , and income, m, goes up. But since  $m = wL + \pi^c + \pi^g$ , the woman's income increases relatively less than her profit

within cash-crop production. As a result the income from cash-crop production makes up a bigger share of the woman's total income than before, increasing  $\pi^c/m$ . For a given share s therefore, the man's shadow price on market goods goes up compared to his shadow price on food. In figure 2 this is captured by the transformation curve S'S' being steeper than the curve SS for s constant.

Given that food and market goods are normal goods, higher income induces the man to demand more of both goods. His increased demand for food versus market goods, however, does not necessarily correspond to the increased supply of the two goods for a given s. In order to bring supply in line with demand the tax rate has to be changed. In B the higher relative price on market goods induces the man to substitute food for market goods by reducing the tax rate. This change is illustrated by the move from B to C in figure 2. Compared to the original optimum A, the new optimum C is characterised by higher consumption of food and market goods and a lower tax on cash-crop production.

A higher price on cash-crop thus increases the man's access to both food and market goods and reduces the tax on cash-crop production. The combined effect of higher price and a lower tax increases cash-crop production and the woman's income. As a result production as well as male and female welfare are positively affected by a higher cash-crop price in the non-binding situation. In a situation with no binding restriction, therefore, the results from the traditional household model is upheld. Higher price on cash-crop results in higher production and higher well-being for all the household members. The production elasticity is even larger than predicted by the traditional models due do the reduction in the tax on cash crop production.

The participation constraint is binding.

When the woman's participation constraint is binding, the need to keep the wife on her reservation utility level determines the (restricted) optimal level of s. In such a situation the effect on the man's control parameter of an increase in the price of cash-crop is found by differentiating the woman's participation condition. Due to the fact that changes in the price of cash-crop have no effect on the woman's reservation utility level, the situations 'living with kin' and 'living alone' coincide. Analytically therefore, the effect on the man's share parameter s is given by the differentiation of  $U^* = K$ , where  $U^*$  is given by 12) and K is constant.

$$\frac{\partial s}{\partial p_c} = \frac{1-s}{p_c} > 0 \tag{23}$$

A higher price on cash crop leads to a higher tax rate. The tax rate increases with the ratio between the woman's share of cash crop production, I-s, and the price,  $p_c$ . As shown by the indirect utility function 12), modifications in the price of cash crop and the share parameter influence the woman's utility through changes in her income due to changes in her profit from cash crop production. Given a binding restriction, it is optimal for the husband to increase his share of cash crop production with an amount exactly balancing the positive effect on the woman's income due to a higher price towards the negative effect on her income due to a higher tax rate. The woman, experiencing no changes in income or relative prices, experiences no change in her situation.

When the restriction is binding, the need to keep the woman on her reservation utility level determines the tax rate s. An increase in the price of cash-crop will in such a situation make it possible for the man to increase his share parameter while at the same time keep his wife at her reservation utility level. By increasing the tax optimally, the man sips off the total extra income generated by the price increase, leaving his wife on the same welfare level as before the price increase. Higher price on cash crop thus benefits the man only. Furthermore, as the woman experiences no change in her situation, her original labour allocation continues to be optimal, resulting in the same amounts of cash crop, grain and food being produced as before the price increase.

In the restriction binding case a higher price on cash-crop gives neither any production increase nor higher welfare for the woman. These results differ significantly from results obtained by more traditional household models where both production and all welfare levels are positively affected.

#### Higher price on grain

Changes in the price of grain appear at first sight to influence the woman only, as she is the sole producer of grain. The interrelation existing between husband and wife, however, renders such an inference incorrect. Through changes in the woman's productive activities a link between changes in the price of grain and the man's well being is established. In order to trace the total effect on production, income and welfare, the man's reaction to grain price changes must be traced.

The restriction is not-binding;

In the non-binding situation an increase in the price of grain,  $p_g$ , induces the man to increase the tax rate.

$$\frac{\partial s}{\partial p_g} = -\frac{Y_g}{m} \frac{\pi^c}{m} \frac{V}{\alpha_c (1-s)} \frac{1}{V_{ss}} > 0 \tag{24}$$

A higher grain price increases the woman's income from grain production thereby reducing the income share resulting from cash-crop production. Changes in the tax rate will as a result influence her food production less than before. The man's cost of raising s goes down and he finds it optimal to increase the tax rate.

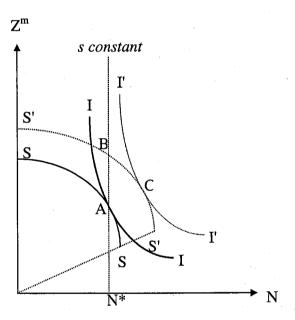
A higher grain price increases the woman's income. At the same time however it increases the relative cost of using grain as input into food production. Given that the woman is a net seller of grain, the increase in her income outweighs the increase in the price of food she is facing. In this case the woman's demand for all goods - including food - expands. Higher food production by the woman results in the man getting more food at his disposal. The direct effect of a higher price of grain on the man's well-being, therefore, is that he gets more food at his disposal. Contrary to the situation when the price of cash-crop went up, changes in the price of grain do not influence the man's access to market goods. For a constant tax rate, therefore, the change in the man's situation is given by the shift from A to B in figure 4.

Relative to his optimal combination, the man has now too much food at his disposal.

In order to transform some of the food into market goods the man increases the tax on

cash-crop production. The change in "relative prices" enhances the tax increase as this change induces the man to substitute market goods for food. The man's new optimum is given by C. Compared to A, the tax rate and the man's consumption of market goods has gone up. The effect on his food consumption however is indeterminate. It may decrease or increase dependent upon the size of the initial increase in food supply (the distance A-B) relative to the change in relative prices. In figure 3 the outcome is increased food consumption by the man.

Figure 3.



Should the woman be a net buyer of grain, her income will be negatively affected by an increase in the grain price. With a lower income at her disposal the woman reduces her food consumption and thereby her production. The man will as a result get less food than before. Simultaneously, however, the change in the price of grain changes the relative price of food and market goods the man is facing. A higher relative price

on food makes him interested in substituting market goods for food. So by increasing the tax rate the man reduces his welfare loss.

A higher grain price will increase or decrease the man's welfare dependent upon the woman being a net seller or buyer of grain. With regard to the woman, she too may either gain or lose. She will gain as long as she is a net seller and the positive effect on her income is bigger than the combined negative effect resulting from a higher relative price on food and a higher tax rate. With respect to production the result is that output of grain expands whereas output of cash-crop contracts. The production effects, and the direct welfare effect stating that the welfare of the producer is dependent upon the producer being a net seller/buyer of grain, are in line with traditional models. The effects stemming from the principal-agent relationship, however, may render the final welfare effects out of line by allowing for differentiated effects within the household.

#### The restriction is binding.

Dependent upon the specification of the woman's reservation utility level, it may or may not be influenced by changes in the price of grain. In order to trace how such price changes influence wife and husband therefore, the effect on the woman's reservation utility level must be accounted for. In the following the two alternative specifications 'living with kin' and 'living alone' are investigated.

#### Living with kin.

In societies where the alternative for women is to live with their kin, taking part in their productive activities and receiving a payment equal to a socially defined reservation utility level in return, the woman's reservation utility level will not be influenced by price changes. The effect on the man's control variable can thus be found by differentiating 12) keeping K constant.

$$\frac{\partial s}{\partial p_g} = \frac{Y_g - Y_{gz}}{p_c Y_c} > 0 \qquad for \quad Y_g > Y_{gz}$$
 (25)

An increase in the price of grain will be followed by an increase in the tax on cash-crop production given that the woman is a net seller of grain. As in the non-binding case, when the woman is a net seller, her income goes up following an increase in the price of grain. This upward shift enables the man to increase the tax rate, shifting the woman's utility down until it equals her reservation utility level.

Since the woman is kept on her reservation utility level the only effect on her consumption pattern is compensated effects due to changes in relative prices. The price of food has risen compared to the price of market goods and leisure, inducing the woman to substitute food for leisure and market goods. As a result the woman produces less food than before.

Given that the woman is a net buyer of grain, her income will be negatively effected by an increase in the price of grain. In order to keep her on her reservation utility level therefore the man must reduce the tax rate. The effect on the man's well-being, therefore, is dependent upon the woman being a net seller or buyer of grain. When she is a net seller the man will sip of the income increase brought forward by the price increase, whereas when she is a net buyer he has to cover up the reduction in her income.

A higher price of grain results in more grain being produced. As to the production of cash-crop it will depend upon the change in the tax rate s. A lower tax enhances the output produced and a higher one reduces it. These results again depart from more traditional model result, both with respect to the effect on cash-crop production and by allowing for person dependent welfare effects.

#### Living alone

In a society where the alternative to marriage is for a woman to live on her own, selling her labour in the labour market, changes in the price of grain influence not only her situation as married but her reservation utility level as well. A woman living on her own must solve the following maximisation problem;

$$K(p_g, w) = \max_{\{l, l_z\}} k(Z, M, l)$$

$$s.t. \quad M + p_z Z + wl \le wL \qquad \text{where} \quad p_z = \left(\frac{p_g}{a} + \frac{w}{b}\right)$$

$$(26)$$

The woman's indirect reservation utility function becomes;

$$K^* = wL\vartheta \tag{27}$$

The effect on the man's share parameter is now found by differentiating  $U^* = K^*$ , which simplifies to m = wL. In order to adjust the tax optimally, the man has only to take into account the effect on his wife's income, since changes in relative prices

influence her reservation utility and her utility as married in the same way. Since a higher price of grain has a positive effect on her income, the tax rate increases.

$$\frac{\partial s}{\partial p_g} = \frac{Y_g}{p_c Y_c} > 0 \tag{28}$$

The intuition behind this outcome is that an increase in the price of grain makes it more expensive for a woman living on her own to buy grain in order to make food. The female reservation utility level goes down. Irrespective of the woman being a net seller or buyer of grain therefore, in order to push her down to the new lower reservation utility level, the man increases the tax rate. The outcome, that a higher price on grain decreases the welfare level of some of the household members, stands in opposition to the win-win outcome presented by traditional models.

## A higher wage rate

Changes in the wage rate are similar to changes in the price of grain in that they influences the man only indirectly through changes in the woman's productive activities. Should the woman enjoy a utility level exceeding her reservation level, a higher wage rate increases the tax rate unless the woman's income is severely reduced by the wage increase.

$$\frac{\partial s}{\partial w} = -\left(\frac{1}{m}\left(l_c + \frac{\pi^c}{m}\left(L - l_c - l_g\right)\right)\right) \frac{V}{\alpha_c (1 - s)} \frac{1}{V_{ss}}$$
(29)

A higher wage reduces the woman's profit from cash crop and grain production and thereby the production of both cash-crop and grain. On the other hand it increases the woman's income from sale of labour to the market. Given that the woman is a net seller, her income goes up when the wage rate goes up. In this case a higher wage rate reduces the man's shadow price on market goods, inducing him to increase the tax rate. Even when the woman is a net buyer of labour the man may find it optimal to increase the tax rate in response to a wage increase. This is so when the reduction in the woman's income is smaller than the reduction in her profit within cash-crop production. The man's shadow price on market goods goes down compared to his shadow price on food, making it optimal for him to increase the tax rate. Only if the woman is such a big buyer of labour that her income is reduced proportionally more than her profit within cash-crop production, the man finds it optimal to reduce the tax rate.

A rising wage may thus result in situations where both the man and the woman are positively/negatively affected. Dependent upon the relative changes in profit, income and the tax rate, situations in which one of them will gain while the other will lose are also possible.

## Living with kin

Should the restriction be binding and the alternative to marriage be for the women to live with her kin, a rising wage rate will be followed by a higher tax on cash-crop given that the woman is a net seller of labour.

$$\frac{\partial s}{\partial w} = \frac{L - l_c - l_g - l_z - l}{p_c Y_c} > 0 \quad \text{for } L > l_c + l_g + l_z + l \tag{30}$$

To keep his wife on her reservation utility level the tax rate must be modified to cancel out any effects on her utility. When the woman is a net seller her income goes up making room for an increase in the man's control variable, whereas when she is a net buyer the man must reduce the tax rate in order to compensate for the income reduction the woman otherwise would encounter.

Again the only effect on the woman's consumption pattern is due to changes in relative prices. This time both the price of food and leisure have gone up compared to the price of market goods, resulting in increased demand for market goods by the woman. Her demand for food and leisure time will both go down, unless the reduction in one of them is so large that it makes room for an increase in the other.

As in the non-binding case a higher wage will reduce the profit from, and thereby the production of both cash-crop and grain. If the tax rate goes up in response to the wage increase the production of cash-crop will be further reduced.

## Living alone

An increase in the wage rate increases the income of single women, thereby increasing the reservation utility level of all women. For a women to be willing to stay within marriage therefore, her utility level as married must increase with the same amount as her reservation utility level. The man will thus have to reduce the tax on cash-crop production.

$$\frac{\partial s}{\partial w} = -\frac{l_c + l_g}{p_c Y_c} < 0 \tag{31}$$

One interesting lesson to be drawn from the effects of a higher wage or grain-price is that the woman's situations is not necessarily improved as a result of a positive shift in prices of the goods she is selling. Whether or not the women will benefit depends upon the men's ability and willingness to counteract any positive effects by adapting the terms of the husband-wife 'exchange'.

## Conclusion

By modelling the household economy as a share-tenancy relationship new insight regarding the relationship between parameter changes and household behaviour is gained. In situations where women perform housework as payment for access to individual land and in addition work as share-croppers on their husbands cash-crop fields, the effect on both productive activities and individual welfare may differ from the results obtained by traditional peasant household models. Furthermore, within the share-tenancy model, the results obtained depend on the exact parameter being changed and on the restrictions on the husband-wife relationship.

A higher price on cash-crop, the male controlled output, does not increase production in situations characterised by the man keeping his wife on her reservation utility level. In restriction-binding situations the woman gets no incentives inducing her to increase the production, and output stays unchanged. By incorporating unequal control over resources and divergent interests within the household, therefore, the apparent lack of

connection between producer prices and production responses often observed within developing countries, becomes explainable.

With respect to welfare effects, a higher price on cash-crop benefits both the man and the woman in situations characterised by a non-binding participation constraint. A binding constraint on the other hand results in the man being the only one to benefit. By keeping his wife on her reservation utility level, the man extracts all the extra income generated.

Intuitively one would expect an increase in the price of grain, the female produced and controlled crop, to benefit the female member of the household. This may not be so. When the woman's participation constraint is binding the woman is kept on her reservation utility level, and any welfare increases are experienced by the man only. Moreover, if the increase in the price of grain reduces the woman's reservation utility level, as in the scenario 'living alone', women find themselves negatively affected by the price increase. Should the restriction not bind, the effect on individual welfare is indeterminate. Situations where the man is gaining and the woman losing or vice versa, as well as situations where both are gaining or losing, are all possible.

When the alternative for women is to live on their own, selling their labour power in the market, a higher female wage rate improves the situation for all women by raising the female reservation utility level. Should the reservation utility level be unaffected by changes in the wage rate, as in the scenario 'living with kin', wage rate changes do not influence the female utility level. A non-binding restriction results again in indeterminate welfare effects.

The conclusion to be drawn is that higher 'family income' does not guarantee higher welfare for all family members. Who is to benefit from the increase depends both on how the increase came about as well as on features characterising the marriage arrangements and/or the surrounding society. Important aspects determining the characteristics of the surrounding society are the importance of establishing good relations to one's affinals and the cohesion of family ties. As pointed out earlier, good relations to affinals may have important economic implications in traditional societies. The more such relations are established through good treatment of this family's representative (the wife), the higher the probability that the society is characterised by married women enjoying a utility level exceeding their reservation utility level. In the words of the model, the more the husband values food as part of his total consumption, the higher the probability of a non-binding restriction. Given that a nonbinding restriction is a necessary (but not sufficient) condition making it possible for women to benefit from changes in exogenous parameters in the 'living with kin' scenario, the economic importance of good relations to affinals may be used as an indicator of the effect of parameter changes on the situation of women.

Furthermore, the more coherent the cognatic family ties, the higher the probability that unmarried women live with their kin and take part in their productive activities. In restriction-binding situations, the female utility level is unaffected by changes in exogenous parameters and women are secured a given, basic utility level irrespective of such changes. Loosening of family ties leading to more single women taking up residence of their own, destroys this invariability and exposes the women to changes in their welfare levels, both positive and negative.

Comparing the results obtained by the share-tenancy household model with the conventional wisdom obtained by traditional peasant household models, shows that whereas traditional models account for situations characterised by higher prices resulting in higher production and welfare, the share-tenancy model captures these situations as well as situations characterised by stagnating production and uneven welfare effects. More specifically the model offers an explanation accounting for weak correlation between producer prices and output levels.

## **Appendix**

With a non-binding restriction we show that for a constant tax rate, s, the expansion path due to changes in  $p_c$  is a straight line with a positive slope independent of  $p_c$  and a positive interception at the  $Z^m$  axis, independent of both s and  $p_c$ .

A straight line going through  $(N_1, Z_1^m)$  and  $(N_2, Z_2^m)$  is given by the formula;

$$(Z^{m} - Z_{1}^{m}) = \frac{Z_{2}^{m} - Z_{1}^{m}}{N_{2} - N_{1}} (N - N_{1})$$

Denote 
$$a = \frac{Z_2^m - Z_1^m}{N_2 - N_1}$$
 and  $b = Z_1^m - aN_1$ 

Making use of the fact that  $N_i = sp_iY_i$ 

where 
$$Y_i = p_i^{\frac{1}{\alpha}-1}h(1-s)^{\frac{1}{\alpha}-1}(1-\alpha)^{\frac{1}{\alpha}-1}w^{1-\frac{1}{\alpha}}$$
  $i = 1,2,$ 

and 
$$Z_i^m = \frac{r}{1-r} \frac{\sigma_z}{p_z} \left( wL + \pi^g + h\alpha (1-\alpha)^{\frac{1}{\alpha}-1} (1-s)^{\frac{1}{\alpha}} w^{1-\frac{1}{\alpha}} p_i^{\frac{1}{\alpha}} \right)$$
  $i = 1,2,$ 

and where for simplicity  $\alpha_c = \alpha$ ,  $p_c = p$ ,  $h_c = h$ 

the *slope* becomes: 
$$a = \alpha \frac{r}{1-r} \frac{\sigma_z}{p_z} \frac{(1-s)}{s} > 0$$

The slope is independent of p.

The intersection point at the  $Z^m$  axis is given by:

$$b = \frac{r}{1-r} \frac{\sigma_z}{\rho_z} \left( wL + \pi^g + \pi^c - \alpha (1-s) p Y_c \right).$$

Using the fact that  $Y_c = \frac{\pi^c}{(1-s)p\alpha}$  we conclude that:

$$b = \frac{r}{1 - r} \frac{\sigma_z}{p_z} \left( wL + \pi^s \right)$$

The interception point is independent of both s and p, and is positive for  $wL + \pi^g > 0$ , which is equivalent to  $\pi^c < m$ .

For  $\pi^c < m$  and s constant therefore, point  $B = (N_{2_1}, Z_2^m)$  is at the intersection between the new transformation curve and a straight line going through  $A = (N_1, Z_1^m)$  characterised by a positive coefficient and a positive intersection point.

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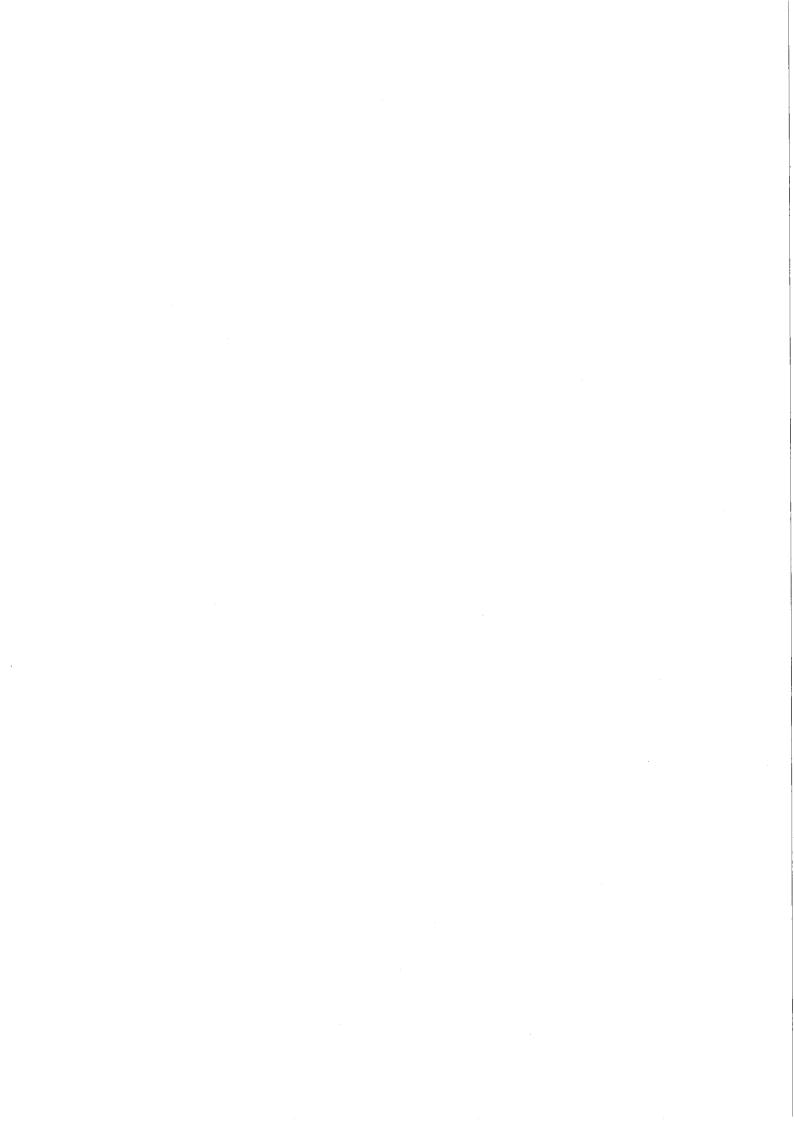
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