

The fight over the ERA reversed this, according to Siegel, not by changing the Constitution but by changing public opinion. But the ferment surrounding the amendment was not an unqualified victory for the women's movement.

During the ratification debate, substantial numbers of Americans became concerned that by signing on to an ephemeral promise of sexual equality, women would lose the concrete protection the law provided in the workplace, during pregnancy, after divorce, and throughout child rearing.

ERA opponents seized these issues. Their powerful arguments forced amendment supporters to back off from claims that women should be treated as strictly and totally equal. Soon the pro-ERA

group embraced the notion that women's "unique physical characteristics" could entitle them to disparate treatment in certain circumstances, because only females, for example, could get pregnant.

At the same time, the supporters' arguments had a countervailing effect on the opponents of the amendment, who began to stress their profound support for the principle that women should be "equal citizens."

As the debate raged, with each side characterizing the other's position in the most extreme negative fashion and more narrowly describing its own, the Supreme Court itself, absent the ERA, stepped into the sex discrimination arena. In 1971, the Court ruled that an Idaho probate court

was wrong in automatically choosing a man over a woman to administer an estate, and that the husband of an Air Force lieutenant was entitled to be treated the same as a wife in determining employee benefits. These represented the first times the Court held that the Fourteenth Amendment protected women from discriminatory treatment by state or military officials.

Many other rulings have followed. Even Chief Justice William Rehnquist, one of the early critics of the ERA, eventually came to endorse its principles, Siegel says. In one of his last cases, he wrote that a state had unconstitutionally discriminated against an employee based on a "sex-based overgeneralization" that women, not men, were caregivers for the sick.

## ECONOMICS, LABOR & BUSINESS

# Primogeniture Unmasked

**THE SOURCE:** "Who Should—and Shouldn't—Run the Family Business" by Stephen J. Dorgan, John J. Dowdy, and Thomas M. Rippin, in *The McKinsey Quarterly*, 2006: No. 3.

FAMILY-OWNED COMPANIES tend to be better run than other firms—except when they are run by the eldest son. Researchers with McKinsey & Co. and the London School of Economics studied 700 manufacturers in France, Germany, the United Kingdom, and the United States, ranking them on productivity, market share, sales growth, and market valuation.

On average, family firms were ranked no better or worse than the average company. But when family-owned businesses were broken down into those run by outsiders and those run by the eldest son, the division was stark. Companies in which one family owned a majority of the stock but hired a professional to manage the operation performed 12 percent better than the average of all firms. Manufacturing businesses run by eldest sons did 10 percent worse.

Stephen J. Dorgan, John J. Dowdy, and Thomas M. Rippin,

all with McKinsey, explain that family ownership makes it possible for managers to take the long view. Unlike managers who must meet Wall Street's expectations every three months, they feel somewhat less pressure to increase earnings every quarter. Family members have a direct stake in the outcome of decisions, and may pay closer attention to day-to-day operations than an outside board of directors. They are better situated than public shareholders to police any conflicts that arise between the interests of the managers and those of the stockholders.

Among family-owned companies in the four countries, family management is most common in Britain, at 50 percent, followed by



Lachlan Murdoch (left), eldest son of Rupert (center), was heir-apparent of the family firm, News Corp. Undercut, he left the \$55 billion company. Younger brother James (right) remains a contender.

France, 44 percent, the United States, 30 percent, and Germany, 10 percent. Part of the explanation for these variations may be feudal legacy; part may be modern tax policy. In England and France, the eldest son typically inherits the family property. In Germany, the property is divided among the sons. Today, family-owned enterprises worth \$10 million or more receive inheritance tax exemptions of 50 percent in France, 100 percent in the United Kingdom, and 33 percent in Germany. There is no exemption in the United States, although there is widespread support among Republicans for abolishing what they call the “death tax” altogether.

Family management is not the curse, only the automatic designation of the eldest son. The authors observe that “someone who expects to lead a company by birthright may put less effort into acquiring the necessary skills and education than do people who

expect to compete for their jobs.” Family-owned businesses that select their CEOs from all family members fare no worse than companies that select talent from *hoi polloi*.

ECONOMICS, LABOR & BUSINESS

## The Disability Disaster

**THE SOURCE:** “The Growth in the Social Security Disability Rolls: A Fiscal Crisis Unfolding” by David H. Autor and Mark G. Duggan, in *The Journal of Economic Perspectives*, Summer 2006.

A \$134 BILLION-A-YEAR entitlement that most people have never heard of is gobbling up an ever-larger share of the Social Security budget, raising troubling questions about whether it is being abused. Social Security Disability Insurance supported 2.6 million people in 1984; now it has 6.5 million beneficiaries—and the numbers are rapidly rising. The annual price tag is nearly three and a half times the budget of the

Department of Homeland Security, write economists David H. Autor and Mark G. Duggan, of the Massachusetts Institute of Technology and the University of Maryland, respectively.

The increasing number of people judged to be totally and permanently disabled—even as Americans get healthier and live longer—suggests that the program is out of control, according to Autor and Duggan. The initial purpose of disability insurance has been dwarfed by a new role. Originally an insurance scheme for workers prematurely felled by heart attacks and cancer, the program has been transformed into a system of benefits for the unemployable. Payments are now most commonly made to people with back pain and mental disorders, potentially disabling problems in the workplace to be sure, but conditions with relatively subjective diagnoses, the authors say.

As the labor market has become more competitive, more and more low-wage workers have applied for disability benefits. When the unemployment rate increases, so do applications for disability benefits; when it decreases, applications do likewise. High school dropouts are the most likely to seek payments. In 2004, men between the ages of 40 and 65 who had not finished high school were twice as likely to receive disability benefits as men who had a diploma. Because wages at the bottom of the employment ladder have stagnated or fallen, disability benefits and the health insurance that comes with them have become more and more attractive. An average disabled worker gets a monthly check of about