

## Adoption: Supply or Nonprice Rationing?

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In a paper in *Economic Inquiry*, Marshall Medoff [January 1993, pp. 59-70] examines the supply decision for adoptive infants using a household production function framework. Medoff argues that since there is always a shortage of healthy infants for adoption at the legally mandated price of zero, the number of infants adopted equals the number supplied. He thus proceeds, using state-level cross-sectional data, to regress the number of infants adopted (relative to the number of live births) on several socioeconomic variables. He interprets the results as a supply equation for adoptive infants.

Medoff's work is the first to examine the economic determinants of adoption and his results are certainly thought-provoking. However, his claim to have isolated the supply side of the picture is not altogether convincing. The problem lies in the data. The data for the dependent variable (number of adoptions) come from the National Committee for Adoption's *Adoption Factbook* [Washington, DC, 1985]. The number of adoptions of healthy, unrelated infants is provided for each state. But infants are mobile across states, or even nations, for the purpose of adoption.

In the case of an interstate transfer of an infant, the adoption could take place in either state but would typically occur in the adoptive parents' home state as opposed to the infant's birth state. No data are kept on the number of inter-state adoptions but the National Committee for Adoption characterizes the practice as common.

How does this complicate the analysis? In the presence of universal shortages of healthy infants for adoption, prospective parents must compete on a nonprice basis for those infants. A larger number of adoptions in a particular state might simply indicate that prospective parents in that state are successful at both attracting infants from other states and retaining adoptive infants born in that state.

In this case, Medoff's equation could also be capturing the characteristics of successful adoptive parents engaged in nonprice competition. Birth mothers have been given increasing involvement in choosing adoptive parents. So what do they look for? Few mothers would choose to place their offspring into a family facing the stress of unemployment. Many would choose an adoptive mother who would willingly remain at home, attends church, and is well educated. Medoff's results are, in these cases, consistent with the nonprice rationing hypothesis.

One would also expect that income is important. It seems reasonable that poorer women are less likely to successfully adopt. If the study captures both sides of the market, this might explain the insignificance of the income variable even if low incomes significantly contribute to the decision to place a child for adoption.

In conclusion, it is not possible to isolate the supply side using the currently available data and a single equation framework. Further work and better data are both necessary. Finally, the conclusion that regulations to encourage the placing of unwanted infants for adoption are ineffective must be called back into question.