

International Series on Consumer Science

J. A. Molina *Editor*

Household Economic Behaviors



Springer

Introduction

The study of household economic behaviours has traditionally begun with the assumption that the household is identified as an individual structure, in such a way that the preferences of the collective unit have been represented by only one behaviour function. This initial assumption constitutes the foundation of the traditional or unitary approach to the micro-economics of the individual, that is to say, the preferences of the household are represented by an individual utility function. This unitary approach has received a number of methodological, empirical and welfare critiques. In methodological terms, the traditional assumption does not conform to the habitual structure of a household composed, as it is, of a number of individuals with different preferences, among whom there operates an intra-household decision process. However, when assuming that a household constitutes a micro-society, composed of individuals with their own rational preferences, the unitary approach imposes a number of restrictions on the observed behaviour. Among these restrictions, we emphasise the notion that individual non-labour incomes are aggregated in only one household, in such a way that the source of this exogenous income plays no role in the intra-household allocation of consumption of goods and of labour supply, and thus it is not possible to determine the intra-household allocation of welfare among the household members.

On the basis of the recent literature on household economics, which has been singled out by the above critiques of the unitary models of household decision-making, Professors Chiappori and Donni begin this book by addressing the non-unitary models of household behaviour, which suppose explicitly that households consist of a number of different members with preferences that are different from each other. According to these authors, such models can be divided into two principal categories: cooperative or collective models, in which the allocations are supposed to be Pareto efficient; and non-cooperative or strategic models, which are based on the concept of the Cournot–Nash equilibrium. The demand functions that describe household behaviour in these models are subject to constraints that differ from the traditional Slutsky conditions. In addition, in a certain number of specific cases, the preferences of individual household members can be identified from observable behaviour.

In the following chapter, Professor Grossbard discusses another alternative to cooperative or consensual models and strategic or bargaining models, that is to say, independent individual models of decision-making that make no specific assumptions of jointness of decision-making in households. Unitary models are typically associated with Gary Becker, even though most of Becker's own analyses of the family did not use his unitary model. This is especially the case with the specifically independent individual models presented in his theory of marriage. Decision-making models assuming independent individual household members in the Becker tradition are reminiscent of models of labour markets in which firms and workers are independent decision-makers. As a basis for econometric estimations, the author argues that such models may be preferable to models imposing the structure of a game or a household welfare function.

After these two excellent reviews of the non-unitary models of household behaviour, the third chapter addresses, in this context of non-unitary models, the topic of the measurement of inequality in the household. The fact that individual wellbeing is determined by the way in which the household, consisting of at least two adults with or without children, allocates its resources, has of course been recognised in this literature for some time. Recently, a number of papers have attempted to deal with this issue empirically and, although this new research is welcome, it suffers from the limitation that it continues effectively to assume that households have only two uses of their time, market labour supply and leisure, and hence ignores the existence of household production and intra-family exchange of domestic output for market output. Professors Apps and Rees develop this point, both theoretically and empirically, and go on to discuss its policy implications.

Chapter 4, by Professors Cherchye, De Rock, Vermeulen and Verriest, changes the approach to household economic behaviours, and presents a state-of-the-art discussion of revealed preference tests for consistency of observed household behaviour with Pareto efficiency. These tests are entirely non-parametric, since they do not require any assumptions regarding the parametric form of individual preferences, or the intra-household bargaining process. The authors begin with a discussion of certain tests based on Chiappori's seminal labour supply model, with egoistic preferences and observed individual leisure, and they then present revealed preference conditions for Browning and Chiappori's collective consumption model with general individual preferences, including public goods and externalities, with only aggregate household consumption being observed.

Professors Van Klaveren, Van Praag and Maassen Van den Brink, in Chap.5, address certain aspects of an important behaviour in the household, that is to say, the time allocation decision. In particular, and after checking that research on household labour supply decisions tends to neglect the household labour supply decision process of immigrants, the authors examine the time allocation decisions of immigrant households in the Netherlands. By assuming endogenous labour supply for men and women, and by considering housework and household production, the authors make use of the collective household model in order to examine individual preferences and the intra-household bargaining process between the household members, so that differences in ethnic background may reveal interesting variations in behaviours between native and immigrant households.

On this same topic of the allocation decisions within the household, Professors Moreau and El Lahga, in Chap.6, address another important issue of the link between marital status and family outcomes, that is to say, the authors analyse how married and unmarried couples, who face different legal status, balance home versus market work. More specifically, they examine whether the shift from cohabitation to marriage, in Germany, is associated with a significant change in household market and non-market labour supply, and thus whether the transition from cohabitation to marriage reinforces the degree of specialisation among couples. The results show that marriage increases female specialisation in home-based activities.

In the context of the household, the widely held view that separation has adverse effects on children has long been the basis of important policy interventions, although there are no studies that have attempted to separate out the effects of one parent, mostly the father, leaving, from the effects of that parent's money leaving, on the outcomes for the child. Thus, in Chap.7, Professors Walker and Zhu are concerned with early school leaving and educational attainment, and how these are related to parental separation and parental incomes. While the authors find that parental separation has strong effects on these outcomes, this result seems not to be robust to adding additional control variables. Thus, when including income, results indicate that the father's departure appears to be unimportant for early school leaving and academic achievement, while income is significant, suggesting that income may have been an important unobservable variable, correlated with separation and the outcome variables, in earlier research.

Our final chapter (Chap.8) addresses another relevant topic in household economic behaviours, that is to say, intra-household transfers. Specifically, previous literature has examined whether monetary transfers among family members react to adverse economic shocks of any of the parties involved, with the perfect family insurance predicting that the distribution of consumption of all households belonging to the same family remains unaffected by changes in the distribution of income within the family. Today, it is well understood that there are many reasons why, even in the case where households are altruistically linked, this may lead to failed predictions and, in consequence, Professor Villanueva takes a step back in this chapter and claims that any model imperfect of consumption insurance within households that belong to the same extended family predicts that, whenever a member of the extended family experiences an income drop, the consumption of the other members should fall. The author's US results support the notion that food consumption in the household falls when the head of the household where his or her child lives experiences an involuntary job loss.

Throughout this volume, we have demonstrated the importance of household economic behaviours as a topic of interest for economists and policy makers. In presenting a broad range of thought from a distinguished panel of authors, our goal has been to acknowledge the invaluable work contained in the existing literature, while addressing more recent concerns regarding the inherent anomalies of a unitary approach, and to point the way to a more comprehensive analysis. In this, we hope we have been successful.

Contents

1 Nonunitary Models of Household Behavior:	
A Survey of the Literature	1
Olivier Donni and Pierre-André Chiappori	
2 Independent Individual Decision-Makers in Household	
Models and the New Home Economics	41
Shoshana Grossbard	
3 Household Time Use, Inequality and Taxation.....	57
Patricia Apps and Ray Rees	
4 Revealed Preference Tests for Collective Household Behavior	83
Laurens Cherchye, Bram De Rock, Frederic Vermeulen, and Ewout Verriest	
5 Collective Labor Supply of Native Dutch and Immigrant	
Households in the Netherlands	99
Chris van Klaveren, Bernard van Praag, and Henriette Maassen van den Brink	
6 The Effects of Marriage on Couples' Allocation of Time	
Between Market and Nonmarket Hours.....	121
Nicolas Moreau and Abdel Rahman El Lahga	
7 Do Dads Matter? Or Is It Just Their Money that Matters?	
Unpicking the Effects of Separation on Educational Outcomes	145
Ian Walker and Yu Zhu	
8 Measuring the Transmission of Economic Shocks Among	
the Household Members of the Same Extended Family	171
Ernesto Villanueva	
Index	179

International Series on Consumer Science

J. A. Molina Editor

Household Economic Behaviors

362 645

Univerzita Mate
Univerzitná kn



285000239638

For decades, the traditional model of household economic behavior was based on a nuclear family and a standardized structure. But recent seismic shifts in family structure (childless, cohabiting, blended) and in the ways family members interact are bringing challenges to the unitary model and opening up new possibilities.

In *Household Economic Behaviors*, a distinguished panel of researchers offers theoretical analysis and empirical findings that reflect the complex realities of contemporary family decision-making. Non-unitary alternatives featured include collective/cooperative, strategic/bargaining, and independent individual models. A variety of pertinent situations and comparative studies comes under discussion, such as intra-household bargaining, monetary versus non-monetary transfers within households, decision-making differences between immigrant and native families, and the impact of economic downturns. Chapter authors add to a diversifying knowledge base as they:

- Introduce and clarify non-unitary models of household behavior, including collective and strategic, with their policy implications.
- Discuss alternative independent individual models of the household.
- Review the current literature on household time use, inequality, and taxation.
- Examine revealed preference tests for collective household behavior.
- Compare collective labor supply of natives and immigrants.
- Explore the effects of marriage on couples' allocation of time.
- Tackle the controversial question, "Do fathers matter—or just their money?"
- Consider the transmission of economic shocks among family members.

The innovative and timely perspectives in *Household Economic Behaviors* are especially instructive for researchers studying the economics of the family and social policy, as well as professors and students in family relations.

Psychology

ISBN 978-1-4419-9430-1



9 781441 994301

► springer.com

