

# Household Choice

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## Introduction

The project is a continuation of our last year project and is to study theoretically and empirically how household's choices are formed and interact with the macroeconomic environment.

On the one hand, households optimally choose the number of children they wish to have, which determines the age structure of the population. They choose the level of education and health of each child. This actually forms the skills of future labor force and its productivity. Moreover, the optimal decisions on leisure, consumption and investment in children are taken concurrently with the choices of current labor supply for both genders. On the other hand, the above described choices taken by households are not isolated from the macroeconomic environment. While wage of women relative to men may affect female and male labor supply, the returns to education relative to child's future income may affect the number of children and their level of education.

How these decisions are taken? Do couples who form households have the same utility function? If not, then how couples decide upon their optimal choices.

The project is also to study how family decisions, including intra-family monetary and non-monetary transfers, affect demographic outcomes, labor market behavior and income position of households. Data drawn from the Russian Longitudinal Monitoring Survey (RLMS-HSE), Gender and Generation Study (GGG) and Life in Transition (LiTS) surveys are suggested to be used for the empirical papers.

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## Requirement

The precise topics to be investigated will depend on the preferences of students. We allow for the possibility of both a theoretical and an empirical work. In this research project each student is expected to choose one of the following:

1. Propose a new model that tackles one of the topics described below. Discuss its value added and contribution to the literature.
  2. Examine empirically one dimension of households' choices within one of the topics described below.
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# Topics

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## Fertility Choice and the Quantity-Quality Tradeoff Hypothesis

- Gary S. Becker. An economic analysis of fertility. In *Demographic and Economic Change in Developed Countries: a conference of the Universities-National Bureau Committee for Economic Research*, pages 209–231. Princeton University Press, Princeton, NJ, 1960.
  - Gary S. Becker and Gregg H. Lewis. On the interaction between the quantity and quality of children. *Journal of Political Economy*, 81:S279–S288, 1973.
  - Gary S. Becker and Nigel Tomes. Child endowments and the quantity and quality of children. *Journal of Political Economy*, 84(4, Part 2):S143–S162, August 1976.
  - Oded Galor and David N. Weil. Population, technology, and growth: From malthusian stagnation to the demographic transition and beyond. *American Economic Review*, 90(4):806–828, September 2000.
- Oded Galor and Omer Moav. Natural selection and the origin of economic growth. *Quarterly Journal of Economics*, 117(4):1113–1191, November 2002.
- Moshe Hazan and Hosny Zoabi. Does longevity cause growth? A theoretical critique. *Journal of Economic Growth*, 11(4):363–376, December 2006.
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## Fertility-Income Relationship

- Larry E. Jones, Alice Schoonbroodt, and Michèle Tertilt. Fertility theories: Can they explain the negative fertility-income relationship? NBERWP 14266, 2008.
  - Larry E. Jones and Michèle Tertilt. An economic history of fertility in the u.s.: 1826-1960. In Peter Rupert, editor, *Frontiers of Family Economics*, pages 165 – 230. Emerald, 2008.
  - Moshe Hazan and Hosny Zoabi. Do highly educated women choose smaller families. Unpublished Manuscript, 2012.
  - Hotz, V.Jozeph, Jacob Alex Klerman and Robert J. Willis (1997) “The Economics of Fertility in Developed countries: A Survey” In: *Handbook of Population and Family Economics*, edited by M.R.Rosenzweig and O.Stark
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## **Gender and Household Choice**

- Matthias Doepke and Michéle Tertilt. Women's liberation: What's in it for men? *Quarterly Journal of Economics*, 124(4):1541–1591, November 2009.
  - Moshe Hazan and Hosny Zoabi. Sons or daughters? Endogenous sex preferences and the reversal of the gender educational gap. Unpublished Manuscript, 2012.
  - Oded Galor and David N. Weil. The gender gap, fertility, and growth. *American Economic Review*, 86(3):374–387, June 1996.
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## **International Trade and Household Choice**

- Philip Sauré and Hosny Zoabi. International trade, the gender gap, fertility, and growth. Unpublished Manuscript, 2011.
  - Philip Sauré and Hosny Zoabi. When Stolper-Samuelson does not apply: International trade and female labor. Unpublished Manuscript, 2011.
  - Oded Galor and Andrew Mountford. Trading population for productivity: Theory and evidence. *Review of Economic Studies*, 75(1):1143–1179, February 2008.
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## **Inequality and Household Choice**

Omer Moav. Cheap children and the persistence of poverty. *Economic Journal*, 115(500):88–110, 2005.

David de la Croix and Matthias Doepke. Inequality and growth: Why differential fertility matters. *American Economic Review*, 93(4):1091–1113, September 2003.

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## **Child Labor**

- Jean-Marie Baland and James Robinson. Is child labor inefficient? *Journal of Political Economy*, 108(4):663–679, 2000.
- Moshe Hazan and Binyamin Berdugo. Child labor, fertility, and economic growth. *Economic Journal*, 112(482):810–828, 2002.
- Matthias Doepke and Fabrizio Zilibotti. The macroeconomics of child labor regulation. *American Economic Review*, 95(5):1492–1524, December 2005.
- Kaushik Basu. Gender and say: a model of household behavior with endogenously determined balance of power. *Economic Journal*, 116(511):558–580, April 2006.

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## Female Labor Force Participation

- Jeremy Greenwood, Ananth Seshadri, and Mehmet Yorukoglu. Engines of liberation. *Review of Economic Studies*, 72(1):109–133, January 2005.
- Raquel Fern´andez. Culture change as learning: The evolution of female labor force participation over a century. *American Economic Review*, 103(1):472500, 2013.
- Alessandra Fogli and Laura Veldkamp. Nature or nurture? Learning and the geography of female labor force dynamics. *Econometrica*, 79(4):11031138, 2011.
- Raquel Fern´andez and Alessandra Fogli. Culture: An empirical investigation of beliefs, work, and fertility. *American Economic Journal: Macroeconomics*, 1:146177, 2009.
- Claudia Olivetti. Changes in womens hours of market work: The role of returns to experience. *Review of Economic Dynamics*, 9:557587, 2006.
- Orazio Attanasio, Hamish Low, and Virginia Sanchez-Marcos. Explaining changes in female labour supply in a life-cycle model. *American Economic Review*, 98(4):1517–1552, 2008.

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## Family Labor Supply

- John Knowles. Why are married men working so much? an aggregate analysis of intra-household bargaining and labor supply. *Review of Economic Studies*, 2013. forthcoming.

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## Investment in children and intra-family transfers as a saving device

The lack of reliable financial saving instruments is likely to have affected household saving decisions, and the forms of saving decisions in particular. Investment into children health and education, as well as the intra family transfers could serve a substitute for more traditional saving instruments when financial markets are underdeveloped.

- Jere R. Behrman (1997) “Intrahousehold Distribution and the Family “ in *Handbook of Population and Family Economics*, edited by M.R. Rosenzweig and O. Stark

- Browning, M, and P. A. Chiappori (1998) “Efficient Intra-Household Allocations: A General Characterization and Empirical Tests” *Econometrica*, Vol. 66, No.6, pp. 1241-1278
  - Stark, Oded (1999) *Altruism and Beyond: An Economic Analysis of Transfers and Exchanges within Families and Groups* – Cambridge: Cambridge University Press
  - Wolpin, Kenneth I. (1997) “Determinants and Consequences of the Mortality and Health of Infants and Children” In: *Handbook of Population and Family Economics*, edited by M.R.Rosenzweig and O.Stark
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### **Saving behavior and pension plans of Russian households**

- Attanasio, Orasio (1998) “A cohort analysis of saving behavior by U.S. households” *Journal of Human Resources*, 33 (3), 575-609.
  - Post, Thomas and Katja Hanewald (2013) “Longevity risk, subjective survival expectations, and individual saving behavior”, *Journal of Economic Behavior and Organization*, 86, 200-220
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### **Consumption smoothing and coping with crisis**

- Lokshin, Michael and Ruslan Yemtsov. 2004. “Household Strategies of Coping with Shocks in Post-crisis Russia.” *Review of Development Economics*, 8(1): 15-32
- Skoufias, Emmanuel. 2003. “Consumption Smoothing in Russia: Evidence from the RLMS.” *The Economics of Transition*, 11(1): 67-91.
- Stillman, Steven. 2001. “The Response of Consumption in Russian Households to Economic Shocks.” William Davidson Institute Working Paper 412.