

Family and Kinship Ties in Development: An Economist's Perspective



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Questions

- What are the economic consequences of different family structures?
- When are families “opportunities” and when are they “constraints” from an economic point of view?

What are “family ties”?

- Differences in family structure around the world



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What are family ties?

- Differences in family structure around the world
- Not only family size, but also “intensity” of family ties varies

Intensity of family ties

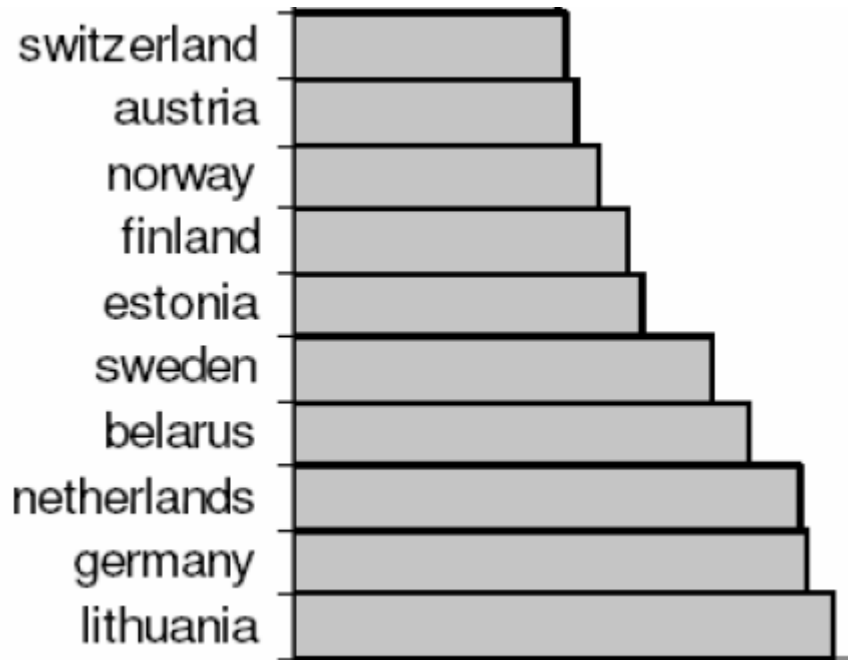
World Value Survey

- “How important is family in your life?” on a scale of 1 to 4
- Should children always love & respect their parents, or only when parents have earned it?
- Should parents do their best for their children even at the expense of their own well-being or should they not sacrifice?

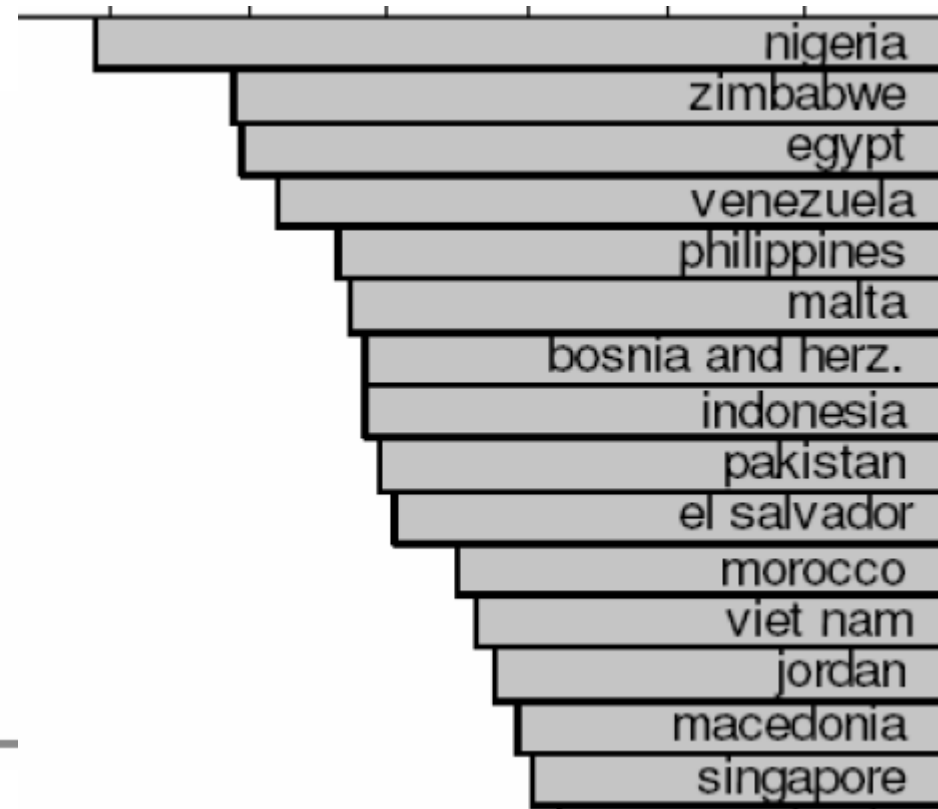
Aggregate index of WEAK family ties

(Alesina-Giuliano, 2007)

Weak ties



Strong ties



How do these differences in family ties map into economic opportunities?

Economic roles of families

$$\max U(X_1, X_2, \dots)$$

- ▣ Cultural transmission $\rightarrow U(\cdot)$
- ▣ Substitute for markets $\rightarrow X$'s

1. Families and cultural transmission

Theory

(Bisin-Verdier, 2001)

- Parents choose what values they transmit by anticipating effects that different values will have on children's welfare
 - socialization choices differ between minority and majority groups

1. Families and cultural transmission

Empirics

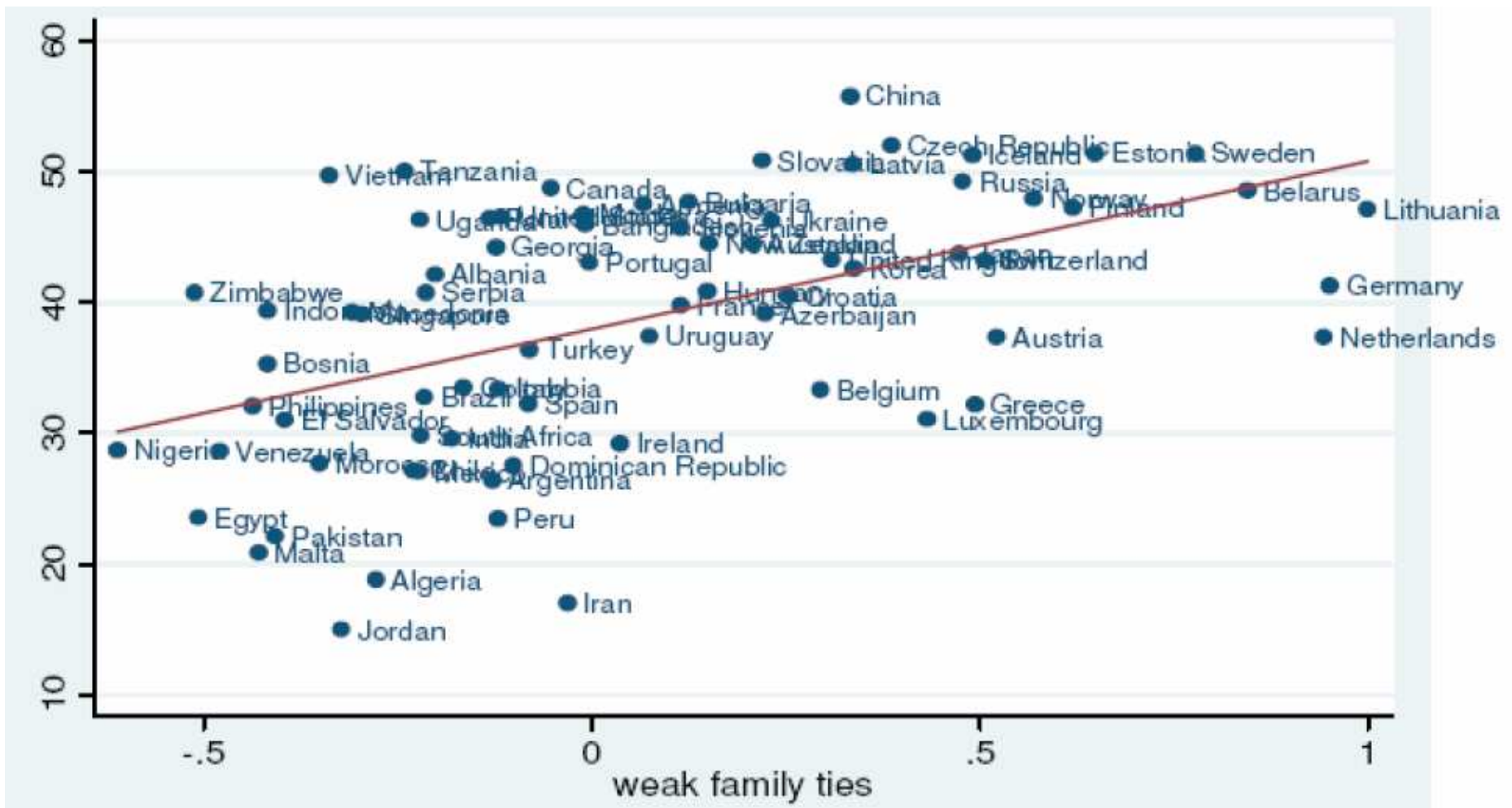
- Religious identification and intermarriage (Bisin-Verdier, 2001)
- Female labor force participation: preferences transmitted from mothers to sons (Fernandez-Fogli-Olivetti, 2004)
- Living arrangements: migrants reproduce patterns of countries of origin (Giuliano, 2007)

1. Families and cultural transmission

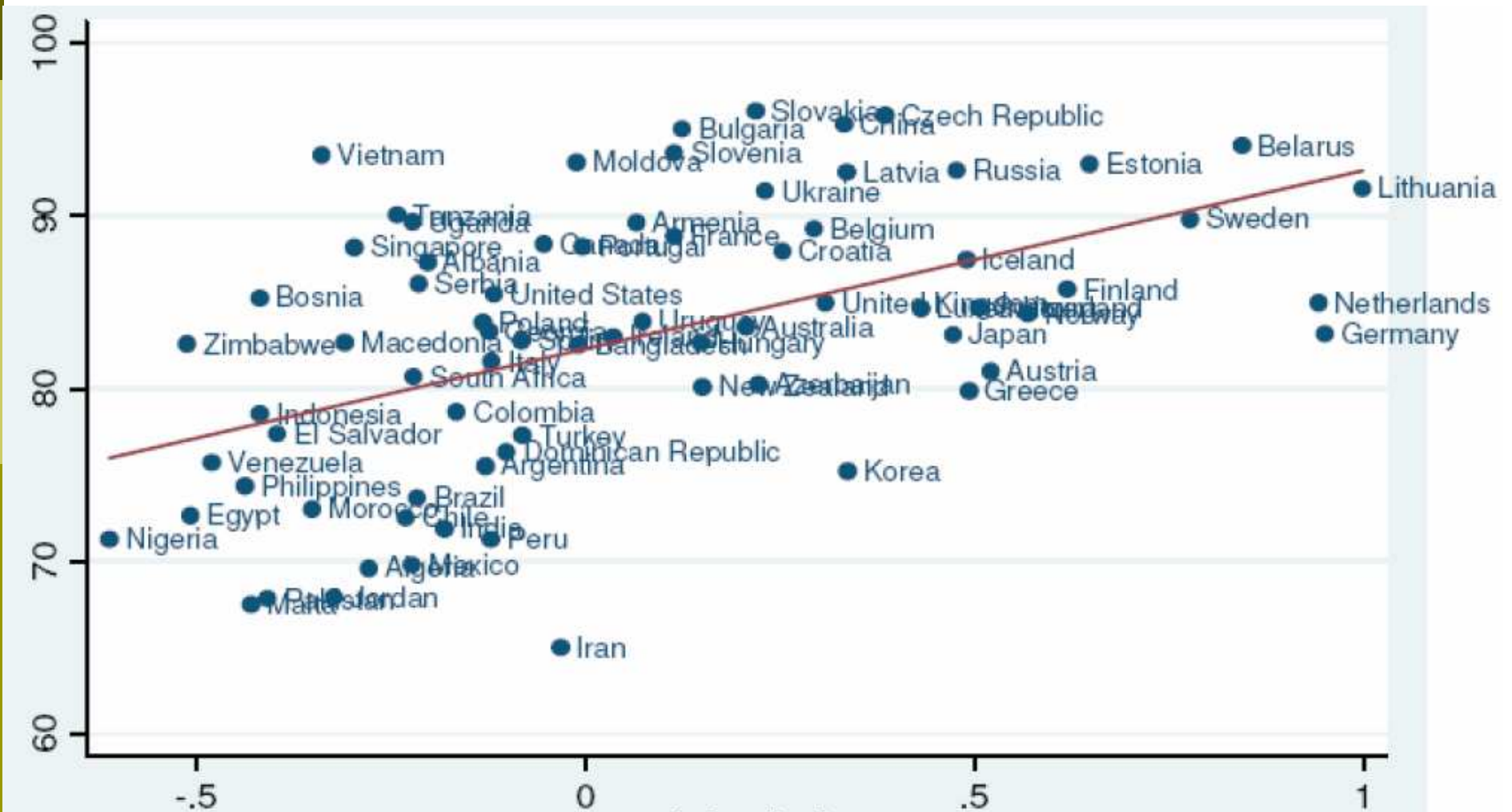
Families as constraints

- Stronger family ties discourage participation in market activities (Alesina-Giuliano, 2007)

Female labor force participation



Youth labor force participation



1. Families and cultural transmission

Families as constraints

- Stronger family ties discourage participation in market activities (Alesina-Giuliano, 2007)
- Families may perpetuate inefficient social norms

1. Families and cultural transmission

Social norms

- **Dowries:** gender bias, impoverishment, lower savings and accumulation (Edlund-Lagerlof, 2004)
- **Child marriage:** lower bargaining power, worse health, lower education (Field-Ambrus, 2005)

1. Families and cultural transmission

Social norms

- **Inheritance** rules: matrilineal inheritance may distort investment incentives (Quisumbing-Otsuka, 2001; La Ferrara, 2007)

2. Families as substitutes for markets

Markets are imperfect, especially in poorer countries where *information* is incomplete and *legal enforcement* is costly or ineffective

Insurance

- Risk sharing between relatives in OECD countries (Bentolila-Ichino, 2006) and developing countries (Fafchamps, 1992; Murgai et al., 2002; Grimard, 1997)

Credit

- Lending and borrowing between relatives (Udry, 1994; ...)

Why should families provide credit/insurance?

Contracts incomplete and not written →
must be “*self-enforcing*” →
families have an advantage

- **Altruism** reduces temptation of unilateral deviation (Foster-Rosenzweig, 2001)
- **Information** reduces risk of lying about shocks
- **Repeated** interaction allows for reciprocity (Coate-Ravallion 1993; Ligon-Thomas-Worrall 2001)
- **Dynastic** links increase scope for punishment (La Ferrara, 2003)

Families limit the possibility of opting out in case of defection:

You can join a different group of friends, but you cannot join another family!

But...

When should families not enforce contracts?

Outcome of family-enforced arrangements may be welfare reducing

- “Mafia”: cooperation within but not between families (Banfield, 1958; Gambetta, 1993)
bonding vs bridging social capital (Putnam, 2000)
- **Costly actions** to signal commitment to community (Berman, 2000)
- **Lower savings** to escape forced solidarity (Baland, Guirkinger, Mali 2007)

Concluding remarks

Research

- Still a lot to do to understand *endogenous* family structure

Policy

- Address inefficient social norms, e.g. dowries (Grameen) or early marriage (national education vouchers in Bangladesh)
- Public safety nets take into account social connectedness (e.g. migrants and minorities)
- Exploit information transmission within family boundaries (technology, HIV prevention, ...)