

REBUILDING MACROECONOMICS MAKING INTIMATE ECONOMIES VISIBLE IN A GLOBAL SYSTEM

Discussion

Adeline Delavande
University of Essex

Family and macroeconomics

- The two presentations illustrate:
 - The tight link between macroeconomy and family/households
 - Difficulty in measurement (of the family, of input/output of family firms)
- The model family: Financial system, government aid and associated forms define and shape what family is/ ought to be
- Family firms: family firms are a majority in many countries, and as such shape the macro-economy

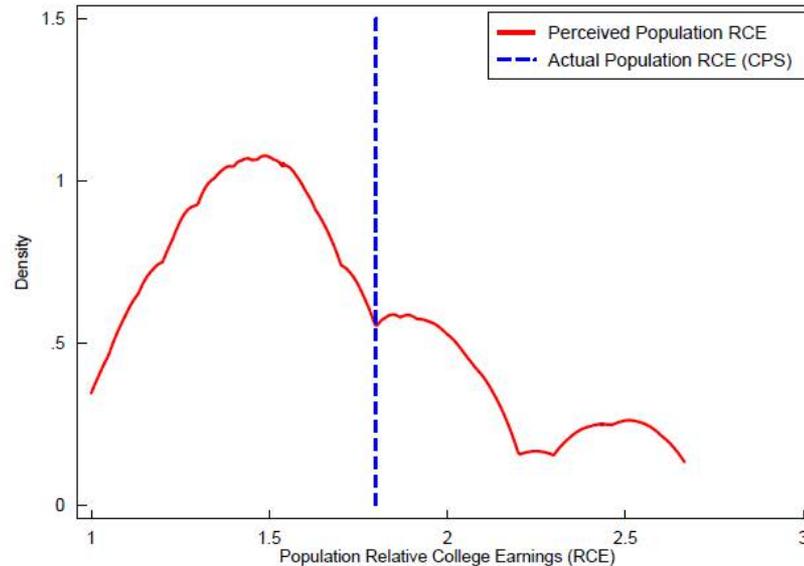
Macro-economy → Family (US example)

- Middle-class family life now organised around the problem of paying for college
- Financial aid dictates what a family ought to be
 - Nuclear framework: 2 biological/adoptive parents responsible in part for paying their children's education
 - No extension to other generations (in providing and receiving care)
 - At odd with new family norms
 - Allows gaming of the system
- Financing college dictates how a family need to behave
 - Long term planning
 - Cooperation and power sharing between parents
 - Disclosure of financial information between parents and children
 - Bind separated parents into the provision of higher education
 - Bind generations financially for a longer period (despite aspiration of independence)

Macro-economy → Family (US example)

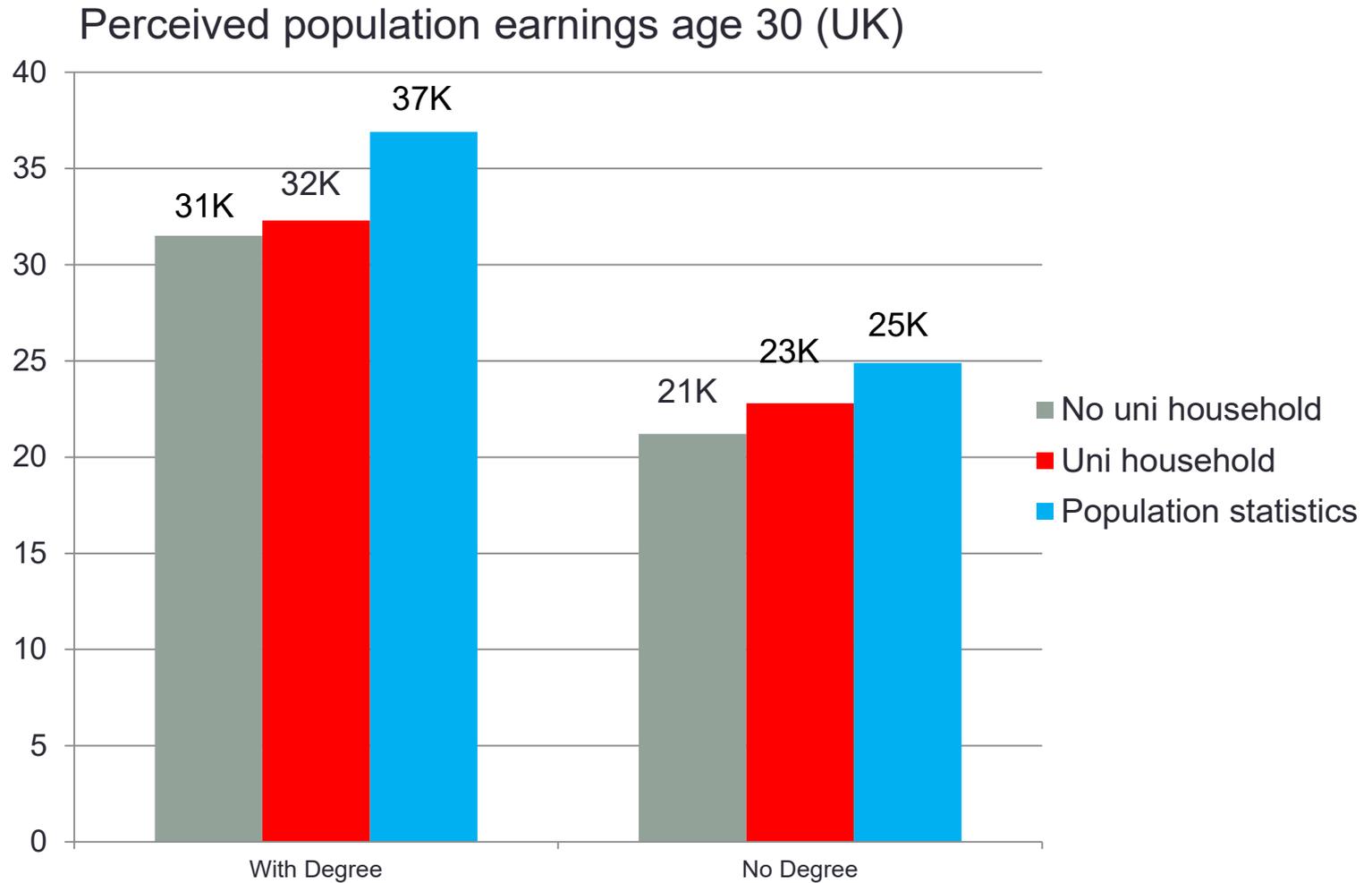
- “Social speculation”
 - Parents and students take a bet on the return to a college degree
 - Related to earlier sessions on expectations
 - Despite the centrality of expectations about the return to education, evidence of misperceptions (and further evidence that providing information about the returns improves accuracy)

Figure 1: Distribution of Perceived Average Population RCE



Kernel density function of respondents' believed level of population Relative College Earnings (RCE defined as the ratio of perceived average college earnings to perceived average non-college earnings). The true RCE, as estimated using the 2012-2013 CPS, was 1.80.

Source: Bleemer and Zafar (2018)



Source: Delavande, Fullard, and Zafar (2018)

Macro-economy → Family (US example)

- Implications for rebuilding macroeconomics?
 - How to define household as a category?
 - How to define household as a unit of decision-making?
 - Need to think about the consequences of macro-social changes on micro-social changes (such as family norms, bargaining within the family, information flow within the family)

Family → macro-economy

- Family firms are numerous and vibrant
- Why family firms?
 - Long-term management (as opposed to more myopic management of widely-held corporations)
 - Substitutions weak legal structure with family ties
 - Access to better talent pool
 - Political connection

Family → macro-economy

- Do family firms operate differently?
- Strategies and timing of capital accumulation, reinvestment, firm expansion, diversification, and management organization are shaped by:
 - Economic goals such as profit maximization
 - But also ideas, sentiments, and commitments of family and gender.

Family → macro-economy

- Implications for rebuilding macroeconomics?
 - Measurement of inputs/outputs in the context of family firms?
 - Particularly difficult for inputs (unpaid/underpaid labour, difficulty in measuring hours of work when no clear boundary between work life and family life)
 - Develop better theoretical models of the family firm
 - Need to bring emotions, values, networks into objective function of the firm
 - Need to take into consideration kinships (which may be context-specific)
 - Very relevant both in developing and developed economy context

Family and macroeconomics are intertwined in many other dimensions

- Family and the production of skills
 - Automation of tasks associated with increasing returns of social skills (Autor 2015, Demin 2017)
 - Many of those social skills are acquired early in life within the family
- Family and formation of expectations (about relevant macro events)
 - Inflation, house price, Brexit
 - Updating rules may also be transmitted early in life within the family (Barash et al., 2018)
 - Information flows within the family/households