Power, allocation and efficiency inside the household: Does economics get it right?

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1. Introduction

- Bargaining and marriage market models – dominant in intra-household economics
  - Control and ownership of resources determine power and allocation
  - Improved our understanding of intra-household allocations
- “Enhancing women’s control over access to land, property and credit” both to improve
  - welfare of women and
  - welfare of children, etc.
1. Introduction (cont’d)

• Present main implications of recent survey and experimental research in Ethiopia, India, Nigeria and Uganda on
  • control over resources and household decision-making
  • bargaining power, asset acquisition and transfer
  • household efficiency
Main conclusions

- Weak correlation between ‘bargaining power’ and welfare
- All dimensions of intra-household welfare do not respond similarly to changes in ‘bargaining power’
- Evidences for high levels of inefficiency
- Towards intra-household models that seriously consider individual heterogeneity in the form of cognitive and non-cognitive (personality) characteristics
2. Control over resources and decision-making power in households

_Fafchamps, Kebede and Quisumbing (2009)_

- Uses survey data collected for the purpose and many proxies for power as well as measures of welfare
- **Welfare measures**: BMI, mobility index, time use (work, leisure, social and personal time), consumption expenditures (men, women, boys and girls clothing; alcohol and tobacco consumption), child welfare (HAZ, WAZ, WHZ, school attendance)
2. Control over resources and decision-making power in households

• **Bargaining variables**: land and livestock brought to marriage, involvement in household purchases, non-farm income, land and livestock upon divorce, domestic violence, cognitive ability

• Weak correlations and bargaining variables are not associated in a common way with all dimensions of welfare as predicted by models
2. Control over resources and decision-making power in households (cont’d)

- e.g., assets brought to marriage by the wife do not have a strong effect on the relative welfare of husband and wife but tend to benefit child nutrition

- The nutrition of spouses is associated with differences in cognitive ability (test questions, number of tree species and child diseases identified)
3. Bargaining power, asset acquisition and transfer

Fafchamps and Quisumbing (2002)

• Assets brought to marriage, ownership of assets, control within marriage, and disposition upon death or divorce are only partly related

• Productive resources controlled by the household head irrespective of ownership
3. Bargaining power, asset acquisition and transfer (cont’d)

• Control over assets associated with larger claims upon divorce in spite of ownership (e.g., land and women)

• Assets brought into marriage have little impact on disposition upon death, but matter in case of divorce

• No simple direct link between assets brought to marriage, ownership, control and disposition upon divorce and death
4. Household efficiency

• Most intra-household models assume household efficiency; are households efficient?
• Using survey data from Burkina Faso, Udry (1996) showed high levels of inefficiency
• Experimental games using voluntary contribution mechanisms (VCM) in Ethiopia, India, Nigeria and Uganda (Iversen, Jackson, Kebede, Munro and Verschoor (2011); Kebede, Tarazona, et al. (2011); Munro, Kebede, et al. (2010); Munro, Kebede, et al. (2011)
4. Household efficiency (cont’d)

- Efficiency strongly rejected
  - Spouses value keeping money privately at the expense of efficiency
- Actual and expected contribution behaviour significantly different
  - Wives contribute less than what their husbands expect and husbands contribute more than what their wives expect (contrary to equilibrium behaviour in game theoretic framework)
- Most contributions are around 50%
5. Conclusions

• A general effect of bargaining power is not strong and consistent

• Neglect of individual heterogeneity in the form of cognitive and non-cognitive (e.g., personality) characteristics

➢ Do all individuals use their bargaining power?

➢ Are individuals equally effective in using their power?
5. Conclusions (cont’d)

• A bigger question “Do individuals bargain in bilateral relationships?”

  ➢ Experimental and behavioural economics show otherwise

• Policy implication of the assumption of efficiency

  ➢ Too much emphasis on relative power at the expense of Pareto improving measures?
6. References


Munro, A., B. Kebede, et al. (2011). Autonomy or efficiency: An experiment on household decisions in two regions of India. Norwich, UK, Centre for Behavioural and Experimental Social Sciences (CBESS). **CBESS Discussion Paper 11-02.**