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# Economic development and family structure: From *pater familias* to the nuclear family<sup>☆</sup>

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## ABSTRACT

We provide a theory of the interaction between intergenerational living arrangements and economic development. We show that, when technical progress is fast enough, the economy experiences a shift from stagnation to growth, there is a transition from coresidence to non-coresidence, and the social status of the elderly tends to deteriorate.

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## 1. Introduction

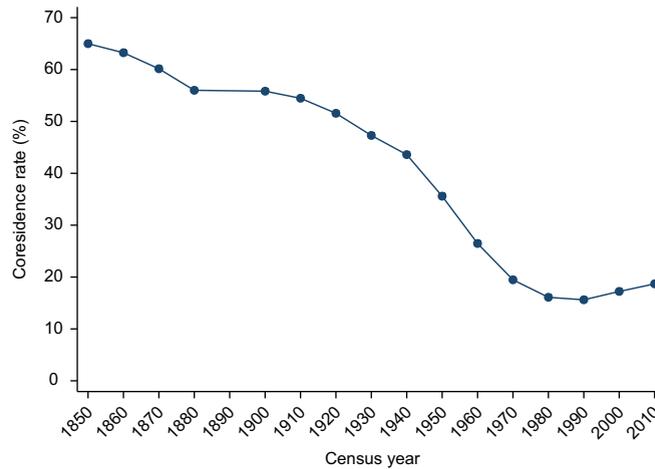
In this paper, we propose a theory of the interaction between intergenerational living arrangements and economic development. This theory is able to rationalise in a growth model the observed secular shift from the extended to the nuclear family, before the introduction of Social Security.

The family structure in Western societies has undergone major changes since the nineteenth century. Fig. 1 shows that in the United States the percentage of elderly residing with their adult children plummeted from 65% in 1850 to 15% in 1990. Kertzer (1995) argues that a similar drop can be observed in several European countries. A recent study from the United Nations concludes that there is a global trend, across countries and over time, towards independent forms of living arrangements for older persons (United Nations, 2005).

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**Fig. 1.** Intergenerational coresidence rate in the United States. Percentage of persons aged more than 65 living with at least one child aged more than 18. *Source:* our elaboration on Ruggles et al. (2010). Married couples are counted as single observations. Persons living in group quarters such as rooming houses and military barracks are excluded from the sample. Data for coresidence in 1890 are missing.

Different theories have been advanced by sociologists and demographers to explain this phenomenon. The prevailing view so far is that intergenerational coresidence seems to fade away as economic development kicks in. The role of cultural factors (family norms or general attitudes towards coresidence) is still disputed.<sup>1</sup>

The recorded shift in the living arrangements from coresidence to non-coresidence has often been considered by sociologists and demographers as accompanying a diminution in the social status of the elderly in society (Kertzer, 1995). However, social status is an elusive concept, difficult to define, and even more difficult to quantify. Several variables such as patriarchal control, relative income, education, health and psychological conditions can be thought of as proxies for social status. According to Ruggles (2007), the decline of intergenerational coresidence reflects a decline of patriarchal control. Patriarchal control was widely diffused in pre-modern societies. For instance, senators in ancient Rome were the old heads of the noble families of the city, the so-called *patres familias*. The very word ‘senator’ has the same root as ‘senex’, which means ‘old’ in Latin. Patriarchal control endured and was still strong in the modern age. By comparing the legal entitlements of parents to their children’s income in France, England and the United States since the seventeenth century, Schoonbroodt and Tertilt (2010) make a convincing case for the presence of a *de jure* high degree of patriarchal control in the West until as late as the nineteenth century. Thereafter a progressive emancipation of the younger generations occurred. Such a feature is a common trait between the West, China and South Asia, although it has been traditionally much stronger in the former (Thornton and Fricke, 1987). More generally, it has been argued by sociologists that the relative status of the aged, measured as relative income, education, health and psychological conditions, has diminished as modernization has taken place (see, for instance, Cowgill, 1974; Palmore and Whittington, 1971).<sup>2</sup>

The literature mentioned above points to a change in the family structure that occurred during, and because of, the process of economic development. This literature maintains that such a change went along with, and depended upon, a diminished social status of the elderly.

In this paper, we provide a unified analytical framework consistent with this literature. We show that, when technical progress is fast enough, the economy experiences a shift from stagnation to growth, there is a transition from coresidence to non-coresidence, and the social status of the elderly tends to deteriorate. We build an overlapping generation model (OLG), in which there is no intragenerational heterogeneity, labour is the only input in the production function, and the pattern for coresidence is endogenously determined. Drawing inspiration from Kotlikoff and Morris (1990), in Section 3 we build a set up where preferences are defined over consumption goods and living arrangements. Agents can decide either to live alone, or to coreside with their parents/siblings. When coresidence is chosen, the household is modeled as having ‘pluralistic’ decision-making (Bergstrom, 1997). More specifically, we assume a cooperative bargaining model leading to a Pareto-efficient solution, in the spirit of Chiappori (1988, 1992a, 1992b).<sup>3</sup> Moreover, we require that the decision to coreside is incentive-compatible for both agents. In this context, the coresidence decision turns out to be a function of the bargaining

<sup>1</sup> See Kramarov (1995) and Ruggles (2009) for contrasting perspectives on the role of cultural factors.

<sup>2</sup> This seems at odds with the recent literature on “gerontocracy” (Bovenberg, 2008; Mulligan and Sala-i-Martin, 1999) maintaining that nowadays the welfare state tends to favour the elderly with respect to the young. The contrast is only apparent, as the two phenomena – decline of the *pater familias* and gerontocracy – belong to different historical periods. In particular, the emergence of gerontocracy is a recent phenomenon, due to a specific demographic pattern in Western countries. By and large, such a phenomenon appeared at the end of the XX century, when most of the secular decline in the intergenerational coresidence had already occurred.

<sup>3</sup> Pezzin and Steinberg Schone (1997) show that the allocation decisions within intergenerational households are best modelled as outcomes of a bargaining process.

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