



Emerging Markets Queries in Finance and Business

# Evolution of Concepts of Household's Role in Providing Onward Economic Development

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## Abstract

This article provides the research study results of alternative schools and trends, within the scope of which the analysis of the households' essence as the subject of economic relations having influence on the dynamics of basic macroeconomic indicators was carried out. The conducted research allowed to reveal economic ideas concerning households as the basic unit of traditional economics (pre-market household epoch), rational subjects of economic relations focused on maximization of their own utility (free market epoch) and contractual relationship agents making decisions under the conditions of uncertainty of external environment (regulated market epoch). Special attention is given to the economic views of the Russian economic school representatives.

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Selection and peer-review under responsibility of the Emerging Markets Queries in Finance and Business local organization

*Keywords:* households; consumer choice; consumer and saving strategies;

## 1. Introduction

Structural reforms that have touched upon the world economy and the Russian economy as well as its component led to qualitative changes of the institutional environment and the content of contractual relationship, full participants of which along with the government and business entities households become. This is shown by the fact that the choice of households concerning trends and forms of proprietary rights implementation on available assets makes a decisive effect on the vector of onward social and economic dynamics, factors and rate of economic growth. In connection therewith study of consumer behavior of

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households, price and non-price factors determining consumption and savings strategy are of special interest. Formation of holistic theoretical and methodological approach to the solution of the given problems will allow to develop and implement effective measures of the state influence on households sector the expenses of which make more than a half of aggregate expenditure of the state with a developed market economy, and thereby, define rates of growth of the joint income of the state.

The purpose of this research is the analysis of alternative approaches to the essence of households in contemporary Russian economy and their role in maintenance of onward development of national economy.

To achieve the desired purpose the following tasks have been set and solved: the analysis of the households' role in the economic system of the state existed on the stage of pre-market economy was carried out; theoretical approaches to the role of households as subjects of economic relations in the free market epoch were researched; review of interpretations of the households' essence in the period of the regulated market was represented; the importance of the stated summaries and offers for realization of the role of the households in maintenance of onward development of the national economy was revealed.

## **2. Understanding of households through economic history**

Representations about the essence and role of the household in the system of economic relations have varied throughout the centuries. They transformed from the views of ancient Greek philosophers (V-IVth centuries BC) to the new economic theory of the family (the end of the XXth century).

Xenophon, the ancient Greek thinker, whose "Eukonomie" treatise contains certain notions of the household in the unity of family-household, organizational and industrial-technological phenomena, formulated principles of reasonable economic management of the Athenian citizen, which are an exemplary household management and quality of separate functions fulfillment (Xenophon, 1993). Particular qualities of an economic life in the traditional economy were self-sufficiency, mutual aid, and survival-orientation. An exemplary household assumed distribution of duties between a husband and a wife, improvement of house premises and keeping of economic stocks in order, selection of a steward, servants and management of their activity. For antique households the behavior considered to be rational if it corresponded to the norms of the society of that time and served the interests, while according to the principles of contemporary economic science the behavior was reputed rational if it focused on implementation of an individual interest, the interest of maximization of own utility. Thus, the analysis of works of the pre-market epoch allows making a conclusion, as K. Polanyi noted, "management of social household, first of all urban, then the one of the state, dominated in that period" (Polanyi and Pearson, 1977).

At the stage of establishing economy as a science in the period of market economy formation in Western Europe the preference was given to the research of various forms of economic activity of households, in this connection there were made several attempts to present quantitative assessment of the results of its activity according to the macroeconomic approach taking into consideration influence of the welfare of households on the condition of the national economy and trends of its change under the influence of social policy.

In works of the representatives of classical political economy (A. Smith, D. Ricardo, W. Petty) households were considered as subjects of market relations focused on maximization of their own utility according to the "hidden hand of the market" principle. So A. Smith believed that a person pursuing his own private interests serves the interests of the society more efficiently than when he consciously seeks to serve them. A. Smith laid the foundations of the concepts of households' economic interests among which placement with a maximum efficiency of production factors it possesses occupies the main place, that allows to draw a conclusion about the interest of the society and the state in creation of conditions for implementation of households' economic interests.

P. Boisguillebert, the representative of classical political economy school, who introduced a term "national income" into the conceptual framework of economic science, the term which coincides in its interpretation with

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