Optimal Intra-Household Decision Structure

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Abstract

This paper develops a model of the allocation of authority in intra-household decision-making. We analyze the cases (i) when decisions are decided unilaterally by one spouse, (ii) when the household head delegates his or her authority to the other spouse, (iii) when both spouses bargain over the investment decisions. Comparing the various scenarios, we derive testable predictions about the optimal decision structure depending on various parameters such as time preferences, degree of congruence of partners over a project, opportunity cost of information search. We bring these predictions to the data, relying on a detailed first-hand survey in Cameroon.

Keywords: theory (both in the future version)