



# Love, Money, & Parenting

HOW ECONOMICS AFFECTS THE  
WAY WE RAISE OUR KIDS

*Matthias Doepke & Fabrizio Zilibotti*

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*How Economics Explains the Way We Raise Our Kids*

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*From Fabrizio to María and Nora, and to the memory of his late parents Francesca and Valter.*

*From Matthias to Marisa, Lukas, Nico, and Oskar, and to his parents Annemarie and Dietmar.*

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## **An international and historical look at how parenting choices change in the face of economic inequality**

Parents everywhere want their children to be happy and do well. Yet, how parents seek to achieve this ambition varies enormously. For instance, American and Chinese parents are increasingly authoritative and authoritarian whereas Scandinavian parents tend to be more permissive. Why? *Love, Money, and Parenting* investigates how economic forces and growing inequality shape how parents raise their children. From medieval times to the present, and from the United States, the United Kingdom, Germany, Italy, Spain, and Sweden, to China and Japan, Matthias Doepke and Fabrizio Zilibotti look at how economic incentives and constraints—such as money, knowledge, and time—influence parenting practices and what is considered good parenting in different nations.

Through personal anecdotes and original research, Doepke and Zilibotti show that in countries with increasing economic inequality, such as the United States, parents push harder to ensure their children have a path to security and success. Economics has transformed the hands-off parenting of the 60s and 70s into a frantic, overscheduled activity. Growing inequality has also resulted in an increasing “parenting gap” between richer and poorer families, raising the disturbing prospect of diminished social mobility and less equal opportunities for children from different backgrounds. In nations with less economic inequality such as Sweden, the stakes are less high, and social mobility is not under threat. Doepke and Zilibotti discuss how investments in early childhood development and the design of education systems factor into the parenting equation, and how economics can help shape policies that will contribute to the ideal of equal opportunity for all.

*Love, Money, and Parenting* presents an engrossing look at the economics of the family in the modern world.

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## Preface

The seed of this book is an article that we wrote and published in an academic journal with the title “Parenting with Style: Altruism and Paternalism in Intergenerational Preference Transmission.”<sup>1</sup> While writing on parenting style from an economic perspective, we realized how many disciplines (anthropology, education, history, psychology, sociology, and of course economics) discuss child-rearing practices, often without speaking much to each other. To foster a broader discussion, we published a column on the portal voxeu.org with the title “Tiger moms and helicopter parents: The economics of parenting style.” The response we received encouraged us to write a book where we communicate our ideas to a broader audience, including parents and general readers who are interested in learning more about parenting. This is how it all started.

Parents and children have been a focal point on our research for many years. Before our research on parenting style, we worked on human capital accumulation and the role of preference and cultural transmission within families. We wrote a number of scientific articles on those topics, and in the process, we learned more than we could summarize in academic articles. While writing this book, we went back to the work we did over the years and tried to connect it through a coherent thread. We also went beyond the scientific literature and made contact with a broader range of media (newspapers, blogs, popular parenting books, etc.) to learn more about how people think about parenting.

The book starts from our own experiences as parents and children. We went through the memories of our childhoods and compared them with the lives of our own families today. We realized that we have been very different parents from our own parents, and yet we certainly do not presume to have been better parents than they were. We believe that at the same time and under same circumstances, we would have acted much as our parents did. If we are making different parenting choices today, it is not because we have superior knowledge or insights. Rather, we raise our children in a different world from the one in which we grew up. In this spirit, the aim of this book is to explain how the environment in which parents raise their children affects the parenting choices they make. Instead of

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<sup>1</sup> Matthias Doepke and Fabrizio Zilibotti, “Parenting with Style: Altruism and Paternalism in Intergenerational Preference Transmission,” *Econometrica* 85, no. 5 (2017): 1331-1371.

giving advice on what parents do, we try to understand the motivations underlying what parents actually do.

We also draw on the experiences of Fabrizio's wife María and Matthias' wife Marisa. We realized that their childhood memories were quite different from ours. Once again, none of us claims to have had the "best parents." Rather, we grew up in four different countries: Germany, Italy, Spain, and the United States. Parenting practices were different across those countries when we were children. When one digs deeper, one realizes that parenting practices still vary a lot across countries today. Here we could rely on additional personal experiences, as we have both lived in different countries throughout our adult lives. We connected these experiences with our academic knowledge to try to understand why there are large differences in parenting around the world.

Part One of the book is about the parenting in our time. We document that in the United States and other rich countries, parenting has gotten more intense in recent decades. What explains the sudden emergence of "helicopter parents" and "tiger moms," after many of today's parents had much more relaxed childhoods in the 1970s and 1980s? Our answer is that economic incentives have changed, largely as the result of a rise in economic inequality that took place during the same period. Next, we take a tour around the world, and try to understand why parenting practices vary so much across countries. Our answer is that economic incentives differ across countries, too. Third, we observe that in advanced economies a "parenting gap" has opened up between the choices of parents on different rungs of the social ladder. What can account for the gap? We show how economic incentives differ across parents who face different constraints depending on their income and education.

Part Two of the book looks back in history. Why has strict parenting been so popular for centuries, while today most parents refrain from disciplining their children harshly when they do wrong? We argue, once again, that economic incentives have changed. Using the same lens, we also study the transformation of gender roles in parenting, the transition from large to small families in the course of economic development, the changing attitude of parents toward child labor, and even the formation and transmission of different preferences and values across social classes.

Part Three of the book looks ahead into the future. There, we study the effect of policies and institutions, focusing first on schools and educational institutions. Then, we consider policy interventions. We argue that the parenting gap between rich and poor families leads to inequality of opportunity for children from different backgrounds, and we ask what could be done to close the gap. We also look further into the future, and ask what parenting will be like for the next generation if the current movement towards higher economic inequality continues.

Writing this book would not have been possible without the help of a great many people. Fabrizio's wife María and Matthias' wife Marisa encouraged us from the start to take up this project. They were also our partners in our actual parenting experience, which formed much of our thinking about the issues discussed in the book. Throughout, they provided us with constant support and constructive criticism about the development of the book. We also thank our children for the inspiration they provided, for enduring our prolonged preoccupation with the theory rather than the practice of parenting, and for allowing us to draw on our shared experiences in writing this book.

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