

It takes a village: the economics of parenting with neighborhood and peer effects

Abstract:

As children reach adolescence, peer interactions become increasingly central to their development, whereas the direct influence of parents wanes. Nevertheless, parents may continue to exert leverage by shaping their children's peer groups. We study interactions of parenting style and peer effects in a model where children's skill accumulation depends on both parental inputs and peers, and where parents can affect the peer group by restricting who their children can interact with. We estimate the model and show that it can capture empirical patterns regarding the interaction of peer characteristics, parental behavior, and skill accumulation among US high school students. We use the estimated model for policy simulations. We find that interventions (e.g., busing) that move children to a more favorable neighborhood have large effects but lose impact when they are scaled up because parents' equilibrium responses push against successful integration with the new peer group.

The paper is joint work with Francesco Agostinelli (University of Pennsylvania), Matthias Doepke (Northwestern University), Giuseppe Sorrenti (University of Amsterdam).

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