

## Childcare and macroeconomic performance

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Parents' time investment in child development is as important as the investment of material resources. Time spent with children means foregone work or leisure, but it can be also a source of enjoyment. Moreover, the strength of preference for parenting time can be shaped by parents' own childhood experience and by peer pressure, or social norms. This paper explores the effect of parenting time and externalities in preferences on the formation of human capital in an overlapping generations model. The model is characterised by multiple Pareto-ranked steady-state equilibria, and, therefore, predicts that economies with similar fundamentals can exhibit significantly different macroeconomic performance in the long run. Because of the positive externality in parenting time the competitive equilibria are inefficient. This inefficiency can be reduced by restricting working hours.