

Linda Waite “Does Marriage Matter?”

Married people better off than singles

- longevity
- alcohol and drug use
- sexual satisfaction
- income and wealth

Married men earn higher wages than single men. Why?

Joyce Jacobsen “The Household as an Economic Unit”

Why Marry?

If expected benefits of marrying person X > expected costs
--get married.

Benefits of marriage:

1. Economies in household production
 - a. Volume discounts
 - b. Lower average cost of household capital
 - c. Economies of scale
 - d. **Division of labor/Specialization**
2. Economies in Consumption
 - a. **Public goods**
 - b. Complementarities in leisure time
3. Risk reduction/Insurance
 - applies to extended families also

Male Marriage Wage Premium

Married men earn substantially more than single men with similar education, experience, etc.

Possible explanations:

- Selection: more productive, harder-working men are more likely to get married.
- Employer favoritism.
- Marriage makes men more productive.

Why should marriage increase men's productivity?

- wives shoulder most domestic responsibility, leaving husbands to devote more time and energy to careers?
- wives monitor and restrict destructive behaviors?
 - drinking, risk-taking
- family responsibilities encourage men to work harder?

Suggestive evidence that relationship is due to increased productivity:

- marriage premium accumulates gradually after marriage, declines as divorce approaches.
- premium depends on wife's characteristics

How do we distinguish between correlation (positive selection of men into marriage) and causality (marriage increases productivity) in this case?

Effects of Marriage and Children on Men's Hourly Wage Rate

	Men born in 1940's			Men born in 1950's and early 1960's		
	Cross-section	Fixed-effects		Cross-section	Fixed effects	
Marriage	+15.3%	+8.4%	+7.7%	+7.0%	+4.1%	+3.8%
Number of children			+4.4%			+4.4%

Lundberg and Rose, 1999

Cross-section: Compares married men with non-married, fathers with non-fathers.

Fixed-effects: Compares wages of same men before and after marriage and parenthood.

Specialization

Some specialization occurs naturally whenever we work together with someone else.

Specialization increases output in several different ways:

1. Classic gains to specialization—based on relative advantage.
 - each of us does the job at which we are relatively more productive—this is the best use of our time.
2. Coordination gains
 - division of responsibility reduces need for coordination.
 - lower transactions costs
3. Learning gains
 - over time, we get better at the job we specialize in.

Note: Insert here the hunting-gathering model of classic gains to specialization.

Specialization in the Household

The traditional gender division of labor

- men specialize in market work
- women specialize in home production

Can be supported by either:

- a. men earn higher market wages
- b. women are more productive in household work/child care

Relative rewards in the home and market sectors is what matters.

Specialization is reinforced over time by learning effects:

- market participants get promotions and higher pay
- home producers acquire skills in domestic and child-related activities

⇒ relative advantage increases

Disadvantage of traditional specialization:

- increases cost of marital dissolution
- particularly disadvantageous to women, since domestic skills are not highly valued outside the marriage
- requires a binding, long-term contract that marriage no longer provides

Consumption economies

Interdependence of consumption by cohabitants (spouses, children, roommates)

Some definitions:

Public goods: goods and services that can be jointly consumed by many people at once.

Pure public good: adding more consumers doesn't diminish the benefits received by each one.

Public goods in general: As more consumers are added, congestion eventually reduces the value of the good for each. E. g. roads, national parks, the family bathroom.

Externalities: costs imposed or benefits bestowed on third parties by our consumption/production decisions.

Negative externalities: pollution, noise

Positive externalities: a beautiful garden, mosquito control, cleaning the kitchen

Connection: We can think of public goods as goods that generate positive externalities. After this, let's stick to public goods.

Important Note: The returns to marriage/cohabitation are enhanced by similar tastes for public goods and for leisure activities.

⇒ thus, similar people marry

Assertion: In modern marriages, returns to public goods consumption > returns to specialization

Specialization, Children, and the Decline of Marriage

In the past 30-40 years, it has become much more common to delay marriage, or to forgo marriage altogether (see Waite)

Marriage appears to have become less attractive, relative to remaining single, or to cohabiting without marriage.

Some factors:

1. Children:

- availability of effective contraception
- decline in desired family size

⇒ less costly to delay marriage

2. Reduced specialization:

- higher probability of divorce
(investment in home skills requires long-term contract)
- increased labor market opportunities for women
(alternatives to home work more attractive)
- fewer children
(less home work)

⇒ if benefits to marriage come from companionship and joint consumption of public goods rather than specialization, may be worth searching longer for someone with compatible tastes.

Inter-related trends in fertility, women's market work, divorce rates—very difficult to sort out causality.

Household Public Goods and the Free-Rider Problem

Room-mates vs. Family members

Private value of a clean kitchen floor

Matt	9 minutes of TV watching
Greg	15 minutes
Josh	19 minutes

Total social value of a clean kitchen floor = $9+15+19=$
43 minutes of TV watching

Private cost of cleaning the floor = 20 minutes

If each of the roommates acts independently, who will clean it?

* Public goods tend to be provided in less-than-socially-optimal amounts.

Suppose the clean floor is worth 25 minutes of TV watching to Josh—who will clean the floor?

Suppose the clean floor is worth 25 minutes to Josh and 21 minutes to Greg—who will clean the floor?

* The free-rider problem.

What can room-mates do to solve this problem?

Why do we think that families solve the public goods problem more efficiently?

- love/altruism
- monitoring/information
- long-term relationship, not easy to opt out
 - easier to get back at someone who doesn't behave cooperatively.