



Marriage and the Market

By Betsey Stevenson and Justin Wolfers

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Uncategorized

Stephanie Coontz's careful and persuasive history of marriage adds some much needed factual background to an over-politicized debate. And her scholarship yields an important insight: marriage has historically been the product of the economic environment of the time. Moreover, family institutions are dynamic, and marriage has evolved as economic opportunities have changed. Our aim in this essay is to re-frame Coontz's careful history of the family in the language of economics, in the hope that this will yield useful insights about the future of marriage.

While Coontz describes the variety of forms of family life through history, the commonality uniting them is particularly significant: families have always played a role in "filling in" where incomplete market institutions would otherwise have hindered economic development. For example, even in the absence of well-functioning contract law, families found ways to enforce agreements among kin. This naturally gave the family a role as an organizing device for economic activity, and the limits of the firm often coincided with the limits of the family. Thus marriage also provided the key means to strategic "mergers" – a way to form alliances and boost the financial welfare of the household.

Similarly, prior to the expansion of the welfare state, the family had been a key provider of insurance, as spouses agreed not only to support each other "through richer, through poorer, in sickness and in health," but also extended this guarantee to parents, children, and siblings. Before modern credit markets arrived, access to capital was often facilitated through family ties.

A number of goods and services, such as freshly-cooked meals, or childcare, were historically not sold in the market sector. Thus, the family became the firm producing these household services. Just as Adam Smith observed that specialization by workers in the pin factory yielded more efficient production, so too families were organized so as to reap the benefits of specialization. Thus households came to involve the specialization of one spouse, typically the husband, in the market, and the other in the domestic sphere.

The forces shaping family life have changed with the development of the market economy. An increasingly sophisticated system of contract law has made possible enormous economic benefits, but in the process the modern corporation has come to supplant the family firm as the key unit of production. The development of social insurance has spread greater security to many but has reduced the role of the family as a provider of insurance. Most recently, technological, social, and legal changes have reduced the value of specialization within households.

While the political emancipation of women is surely a key factor in their movement from the home to the market, deeper economic forces are also at play. Services previously produced in the home are now freely traded in the market. Accordingly, there are fewer reasons for households to employ a domestic specialist. With cheap clothes available at Wal-Mart, it makes more sense for women to earn money to buy clothes than to make them at home. Other innovations have allowed technology to substitute for specialized domestic labor, as dishwashers, washing machines, and the more recent invention of the Roomba have made housework so easy that even a (non-specialist) husband can do it.

While the benefits of one member of a family specializing in the home have fallen, the costs of being such a specialist have risen. Improvements in the technology of birth control have made investing in a wife's human capital a better bet, and this has been abetted by a decline in discrimination and improved wages. These greater opportunities also connote a greater opportunity cost for a couple contemplating a stay-at-home spouse.

Advances in medicine have yielded rising life expectancy, and the average woman will now spend less than a quarter of her adult life with young children in the household. By increasing the number of potential years in the labor force, the opportunity cost of women staying out of the labor market to be home with children is higher. Rising life expectancy also reduces the centrality of children to married life, as couples now expect to live together for decades after children have left the nest. Other marriages are occurring when women are in the post-fertility part of their lives. Only 41% of married couples currently have their own children present in their household (down from 75% in 1880). Not surprisingly then, modern marriage is somewhat less child-centric than it once was.

So what drives modern marriage? We believe that the answer lies in a shift from the family as a forum for shared production, to shared consumption. In case the language of economics lacks romance, let's be clearer: modern marriage is about love and companionship. Most things in life are simply better shared with another person: this ranges from the simple pleasures such as enjoying a movie or a hobby together, to shared social ties such as attending the same church, and finally, to the joint project of bringing up children. Returning to the language of economics, the key today is consumption complementarities — activities that are not only enjoyable, but are more enjoyable when shared with a spouse. We call this new model of sharing our lives "hedonic marriage".

So is marriage doomed? Marriage in which one person specializes in the home while the other person specializes in the market is indeed doomed. The opportunity cost of having women stay out of the labor force is likely to continue to rise — particularly as young women are surpassing men in educational attainment and higher education is becoming more important for market success. The reach of markets will continue to expand, allowing individuals and families to reap the returns to specialization through market-mediated trade with other specialists, rather than requiring a domestic specialist in each home.

Yet while the changing marketplace may have made marriage a bit more fragile, it is also key to its survival. Rising productivity has given all Americans more leisure time while simultaneously raising standards of living. As consumption increases, so too will the demand to have someone with whom to share these pleasures.

Thus marriage isn't dead, it is, again, transforming. Hedonic marriage is different from productive marriage. In a world of specialization, the old adage was that "opposites attract," and it made sense for husband and wife to have different interests in different spheres of life. Today, it is more important that we share similar values, enjoy similar activities, and find each other intellectually stimulating. Hedonic marriage leads people to be more likely to marry someone of their similar age, educational background, and even occupation. As likes are increasingly marrying likes, it isn't surprising that we see increasing political pressure to expand marriage to same-sex couples.

At this juncture it should be clear that any sensible theory of marriage has to acknowledge that it is a responsive and adaptive institution, changing as circumstances change. Why then is the debate about family policy so polarizing? We suspect that much of the disagreement is driven by a failure of political advocates to adapt their understanding of marriage even as circumstances have changed.

Many have cited high and rising divorce rates as pointing to the collapse of the family, and Kay Hymowitz's essay reprises these themes. Yet the high divorce rates among those marrying in the 1970s reflected a transition, as many married the right partner for the old specialization model of marriage, only to find that pairing hopelessly inadequate in the modern hedonic marriage.

Divorce rates have actually been falling since reaching a peak thirty years ago. And those who have married in recent years have been more likely to stay together than their parents' generation. These facts should be emphasized and bear repeating – divorce has been falling for three decades – since this important fact is often ignored in the discussion of the current state of the family.

Hymowitz also bemoans the fact that the demographics of marriage are changing. Again, the facts warrant closer scrutiny: College-educated women used to be the least likely to marry, and today they are about as likely as those without a college degree to marry. Several decades ago, a woman earning a graduate degree was unlikely to find the old specialization model of marriage to be useful, and many therefore chose to remain single. But today's hedonic marriage is likely more enticing for educated women.

On the flipside, the decline in marriage among less-educated women would be an important concern if we were still in the world where women needed a husband for financial security. Less educated women have their own market opportunities available to them and have less to gain from marrying today than in the past. The new hedonic model of marriage thrives when households have the time and resources to enjoy their lives. This suggests that increasing the financial stability of these households will lead to marriage rather than marriage leading to financial stability.

Trends in marital behavior reflect a common-sense response to the economic and social circumstances surrounding us. Just as we have deregulated the economy so that firms and businesses can deal with changing conditions, the long-run trend in U.S. family policy has been to deregulate the marriage market, and the book of rules governing who can get married or divorced where and when has become much thinner. Yet much of the current political debate is precisely about re-regulating marriage. Our concern is that this re-regulation may actually be a force undermining the dynamic institution that is the modern U.S. family.

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