The Australian Financial Review
www.afr.com • Monday 9 July 2007

Marriage can be a matter of fact

Having conquered inflation, economists are turning their gaze on marriage and divorce, writes economics editor **Alan Mitchell**.

Did you know there is a set of economic theories to explain and predict marriage and divorce? The American Economic Association's *Journal of Economic Perspectives* has just published the papers from a symposium on household economics. One of these papers, by Betsey Stevenson and Justin Wolfers of University of Pennsylvania, is a survey of the big changes in marriage and divorce rates in the United States and the economic factors thought to be driving them.

The two big changes since the start of the 1980s have been the decline in the rate of marriage and the even sharper fall in the number of divorces per 1000 married couples. Marriage is at its lowest rate in recorded history. And divorce, after a dramatic rise in the 1960s and 1970s, has now fallen back to a level consistent with the trend established in the 19th century.

Stevenson and Wolfers start with the iron law of almost everything in economics: couples marry and stay married when the gains from marriage exceed the opportunity cost, which is the gain from being single.

The economic gains from marriage come from production complementarities (one spouse specialising in market production and earning the family income, the other specialising in household production), from consumption complementarities (two living "as cheaply as one" and sharing their leisure activities) and risk pooling.

It is argued that the decline in the marriage and divorce rates can be at least partly explained by factors affecting the relative gains of being married and single.

The big technological change affecting marriage and sexual relations in the 20th century was the development of the birth control pill, which became available in 1960.

The pill, and to a lesser extent the availability of legal abortion in the US from the early 1970s, is said to have facilitated the investment in women's "human capital" (education, training and work experience) by reducing the risk of unplanned pregnancies. It also affected the timing of marriages and births, and is credited with reducing the rate of divorce.

The pill reduced the cost of waiting to marry. It allowed sex outside marriage with little risk of unwanted pregnancies and, say Stevenson and Wolfers, it led to longer courtships.

This meant that people entered marriage more informed about their compatibility, and therefore the risk of making bad matches was reduced.

"Couples stay married when the gains from marriage exceed the opportunity cost."

As more people deferred getting married, it became easier for others to wait. There was less reason to fear that those who remained unmarried past their mid-20s would have difficulty finding a suitable mate.

Differences in access to the birth control pill across both US states and cohorts of women has allowed econometricians to test these theories. Stevenson and Wolfers say there is a robust relationship between access to the pill and subsequent higher ages for first marriages, lower divorce rates and lower marriage rates.

The diffusion of labour-saving electrical appliances in the 1950s and 1960s also had important effects on family formation. The appliances dramatically increased the labour productivity of home production. The authors quote a study that showed the time taken to clean a load of laundry had dropped from four hours to 41 minutes using a 1940s-era electric washing machine and clothes dryer.

Women needed to spend less time working on home production, and were able to increase their participation in the paid labour force.

And, say Stevenson and Wolfers, the new labour-saving technology was unlikely to be "skill neutral". Washing in electric washing machines and cooking on electric stoves and ovens required less skill. This, in turn, reduced the returns to specialisation in home production. Teaching of home economics such as cooking and sewing began to go into decline.

At the same time, the growing service sector offered a range of cheap products that previously were available only through home production. A revolution in the mass preparation of food began in the second half of the 1960s and continued through to the present. Innovations included vacuum packing, improved preservatives, deep-freezing, artificial flavours and microwaves.

As the returns to specialisation in home production fell, the opportunity cost of remaining single also fell. Women with market skills had less to gain from marriage.

The decline of specialisation in home production and the rise in real incomes and leisure may also have had a significant effect on the selection of marriage partners. The rise of the two-income family and marriages built more around consumption complementarities is likely to lead to the increased pairing of people with similar incomes and interests.

At the same time, Stevenson and Wolfers argue that the growing inequality of wages since the 1970s has increased the importance of searching for a potentially high-earning partner.

That rules me out, I guess.