1. Summary: Trends in family life and economic analysis

A. Old view: family is based on “production complementarities” based on division of labor, in turn based on comparative advantage: women work mostly in the home, men work mostly in the market family is crucial to successful child-rearing

B. recent developments have shaken up the old view: marriage rates falling, age at first marriage rising, divorce rates rising -- nature of family is changing, children becoming less important declining fertility, declining marriage, rising age at first marriage, longer lifespans mean that parents spend an ever-lower % of their lives living with their children; big changes in “household technology” (e.g., appliances, birth control) and rise of industries servicing households (e.g., TV dinners); greater female participation in labor market means specialization is declining

C. time to re-think the family?
   * family (and partnerships) arising from (or for) consumption complementarities and insurance
2. Trends in marriage and divorce

*Figure 1*

Marriages and Divorces per Thousand People, United States 1860–2005

2. Marriage and divorce (continued)

A. “divorce rate”: new divorces per 1,000 people – slowly increasing
   divorces per 1,000 married couples: peaked in 1980, falling ever since
   look by cohort at risk of divorce for first marriages:
   highest for marriages from 1970-79; lowest for marriages from 1950-59
   in between for marriages from 1960s, 1980s and 1990s
   (but closer to the 1970-79 experience than the 1950-59 experience)

B. “marriage rate”: new marriages per 1,000 people – peaked in 1945,
   hit a trough in 1960, smaller peak in 1970s, falling since the 1970s
   age at first marriage has steadily increased
   e.g., for men, median age at first marriage went from
   26 (1890) to 23 (1950s) and back to 27 (2004)
   e.g., for women, median age at first marriage went from
   22 (1890) to 26 (2004) –
   so, declining age gap at first marriage between men, women

C. younger people now less likely to be married than before
   (even if cohabiting)
   older people more likely to be married than before

D. children are becoming less central to married life (e.g., “what kid?”)
   in 1880, 75% of married people lived in a household in which
   their own children were present;
   in 2005, 41% of married people lived in a household in which
   their own children were present
3. The marital life cycle (or, following the Kardashians... again... and again...)
   A. Unlike earlier periods (at home/single → married),
      recent patterns might include
      single/cohabiting → married → divorced → remarried → ...

   B. Big differences in these life-cycle patterns by...
      birth cohort: more recent cohort more likely to be divorced,
                  but less likely to have married in the first place
      race: blacks less likely/slower to enter into marriage
      education: college grads have lower probability of divorce,
               and are more likely to remarry, than those w/less education

   C. divorced women less likely to remarry than divorced men
      (so, who are the divorced men marrying?)
      without a BA: women as likely as divorced men to remarry
      with a BA: 3/4 of divorced men remarry, vs. 2/3 of divorced women
      (“...those best equipped to cope outside of marriage... are more likely to eschew marriage the second time around” (p. 36))

   D. cohabitation: virtually no change from 1880-1970, then steady growth
      “most cohabitations do not end in marriage, [but] most marriages [59%!]
      are preceded by cohabitation” (p. 37)
4. Some international comparisons (Table 2)

   A. US has greater marital “churning”: higher rates of marriage, divorce and remarriage than most other countries

   B. difference between expressed beliefs and actual behavior?
      43% in US agree “divorce usually best solution when a couple can’t work out their marital options” – much higher % in other countries many other countries have high(er) rates of out-of-wedlock childbirth

5. “Driving forces” of family change (but which is cause, and which is effect?)

   A. birth control technology: the pill (allowed women to decide on their own) reduced perceived benefit of marriage, allowed longer courtship could also allow better matches via longer courtships could also increase pressure for premarital sex and unwanted pregnancy

   B. household technology: plumbing, electricity, appliances, products reduced the cost of home work, but also freed up time for market work may have had greatest impact on the low-skilled (including men?) husband’s and wife’s time could become complements, not substitutes (?) similarity of husband and wife, rather than differences, may now make for better marriage husband’s earnings can help “insure” the wife, and vice-versa
5. “Driving forces” of family change (continued)

C. changes in the wage structure:
  * lower female-male pay gap made market work more attractive to women
  * increased variance in earnings increased the payoff to greater search for a marital partner (“Mr. Right”), so stay single longer

D. changes in the legal structure of marriage (and divorce):
  government “regulates” the family w/laws on marriage, divorce, etc.
  starting in 1960s, government “deregulated” the family –
    fewer limits on who can marry, reduced fault-finding in divorce,
    fewer distinctions on legal status of children based on whether parents are or aren’t married
  changes in divorce make it easier for the party that “wants out,”
    harder for the party that wants to preserve the marriage
  little evidence of change in divorce rates, but stronger evidence on reduction in female suicide and in domestic violence after the new laws
  people expecting divorce may spend more time in job market and less at home (which may then become self-fulfilling prophecy);
  could also reduce or delay “several forms of investment whose returns are at least partly marriage-specific,” e.g., having kids, household specialization, supporting spouse’s education
  more generally, important factors affecting marital behavior are the threat that one’s spouse may file for divorce and one’s own remarriage odds
5. “Driving forces” of family change (continued)

E. shocks to the marriage-market matching function:
   greater integration of workplace → search for partners becomes easier
   McKinnish: working in industry/occupation with greater share of persons of the opposite sex increases the probability of divorce, “another form of on-the-job search”
   …but can also increase probability of finding an acceptable spouse

   greater integration of education (rise in % enrollment that’s female)
   could have similar effects

   Internet sites can also increase efficiency of search
   (for both singles and marrieds! – 1/3 of online personals users married!)

   Internet may be especially helpful when markets are “thin” and/or when transactions costs are high – e.g.,
   highly educated, minority races/religions, disabled, gay, farmers, …
   married? Ashley Madison: “I don’t promote extramarital affairs, people will have them regardless of what I do” – ?)

   ➔ significant externalities: as divorce rises, easier for divorced people to meet other divorced people
6. Policy questions

A. Does marriage (or divorce) make people happy?
   (major problem: “Couldn’t it be the other way around?”)
   average marriage may be happy, but marginal marriage might not be – and policy is likely to affect (only) the marginal marriage

B. Does divorce affect economic well-being, income, etc.?

   Bedard & Deschenes: divorce more likely if first child is a girl (G=1)
   this event is (presumably) random, so use it as instrument for divorce

   \[ Y = a + gG + bX + e \]

   estimate of g positive: divorced women have higher household income, can (re-)join higher-income households (parents)

   Dahl: uses variation in minimum legal age for marriage across states
   those prevented from marrying while young less likely to end up living in poverty later in life

C. do we have an “efficient” number of divorces? Too many could be bad, but too few could also be bad!