



The economic model of divorce: the neglected role of search and specific capital formation

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Abstract

The present paper uses a large national survey, from the UK to estimate a logit equation for the probability of ever having been divorced within a population of those who have ever been married. The survey utilized permits the construction of several variables, not hitherto deployed in econometric work, which measure aspects of partner search and relationship capital formation. The results indicate that these things are important with there also being notably different results for men and women.

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1. Introduction

There have been many econometric studies of divorce with an initial Becker-inspired focus on the role of general human capital, and a later preoccupation with the impact of legislation (specifically no-fault laws) on divorce rates (see e.g. Peters, 1986, 1992; Smith, 1997; Clark, 1999). Little attention has been paid to the role of partner search and relationship-specific capital formation with the exception of Chiswick and Lehrer (1990) which uses some measures of marriage specific human capital in examining re-marriage likelihoods. A more general discussion, without econometric estimates, by Frey and Eichenberger (1996), infers that current high rates of divorce are an index of a faulty matching process in the partner search market in contrast to the picture painted in various formal treatments of the matter (Gale and Shapley, 1962; Bergstrom and Bagnoli, 1993;

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Burdett and Coles, 1997). Apart from these papers, not much has been said by economists about the effect of the search process on the stability of marriage, although scholars in other fields have made many relevant contributions (La Gaipa, 1982; Karney and Bradbury, 1995; Shackelford and Buss, 1997).

The present paper uses a large national survey, from the UK, to estimate a logit equation for the probability of ever having been divorced within a population of those who have ever been married. The survey utilized permits the construction of several variables, not hitherto deployed in econometric work, which measure aspects of partner search and relationship-specific capital formation. The results indicate that these things are important with there also being notably different results for men and women.

2. Background

Economists would seek to explain movements in the divorce rate in terms of a rational choice to dissolve a partnership which was initially entered into on the basis of maximizing expected utility. The specified regression equations are derived from models of utility maximizing individuals operating with discounted lifetime profiles. The rationale for marriage lies in gains from trade through specialization, economies of scale in consumption and sharing public goods. The role of the search market is to match partners optimally (Becker et al., 1977). The main burden of search related explanation falls on the earnings variables for the partners. Becker (1991, p. 231) explains the pattern of earnings coefficients in divorce regressions as due to the fact that (*ceteris paribus*, of course):

women with higher earnings gain less from marriage than other women do because the higher earnings reduce the demand for children and the advantages of the sexual division of labor in marriage.

Higher wages for women also make it easier for them to survive divorce and therefore make it more likely that an unsatisfactory union will be brought to an end. Education would tend to display a similar sign to wage rates as it will proxy unmeasured elements of permanent income.

Following Becker et al.'s (1977) lead, most authors have looked for the impact of search in terms of the human capital/earnings coefficients. That is, the woman who has a higher expected future wage may be more likely to divorce because, in search terms, she is better able to support herself whilst researching the partner market. There are potentially two conflicting elements here: exogenously given higher earnings/human capital facilitate more efficient search and thus reduce the likelihood of a mismatch but at the same time they make exit easier if there was some exogenous shock in terms of the available supply of partners 'outside' the relationship. This neglects the effect of capital formation, whilst searching, on the matching process. Someone who forms more marriage-relevant capital, during extensive and intensive search, will find a more efficient union and thus be less likely, *ceteris paribus*, to separate at any point in time. If capital formation is rising in wage rates for women then this would create a negative relationship with divorce probability offsetting the positive effects mentioned above.

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