



Marriage, adaptation and happiness: Are there long-lasting gains to marriage?



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ABSTRACT

This paper uses 23 waves of German panel data and investigates if individuals who decide to marry become permanently happier. Following the same persons over several years we show that they do, thereby challenging a number of recent longitudinal studies in psychology and economics which suggest that individuals fully adapt to the positive impact of marriage. Further, we compare different empirical approaches to measure the extent of adaptation and show that depending on the approach the same sample may generate evidence of full or partial adaptation. This result may be equally important for studies that analyze the nexus of loss compensation and habituation in the context of other life events.

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1. Introduction

A simple revealed preference argument suggests that persons who marry are better off than in their previous situation while single. An important question is whether this utility gain is reflected in individuals' happiness. Of course there are counterarguments, for example that the true quality of the partner may only gradually be revealed. Given that some non-zero divorce costs exist (e.g. monetary, psychological or social), some individuals may end up worse off than while single. But for the vast majority of existing unions one should expect that utility while married is larger than the previous utility while single.

The early literature based on cross-sectional data consistently found a positive impact of marriage on individuals' life satisfaction (for a review, see Diener et al., 1999). One obvious shortcoming of these studies is that they are unable to distinguish whether or not this correlation just reflects preexisting differences between the two groups. Stutzer and Frey (2006) provide evidence for this argument by comparing several groups of singles over time. They find that those who are on average happier than other singles have a

higher propensity to marry than the less happy ones. They conclude that a large part of the cross-sectional correlation is due to selection of the happier individuals into marriage.

A second objection regarding the results of the cross-sectional literature is the idea of hedonic adaptation (e.g. Loewenstein, O'Donoghue, and Rabin, 2003; Loewenstein and Ubel, 2008). In this context the theory implies that individuals quickly get used to the positive effects of having a partner which in turn suggests that their utility bounces back to the level before marriage. A number of recent longitudinal studies test this hypothesis and provide inconsistent evidence. For example, Lucas et al. (2003), Lucas and Clark (2006) and Clark et al. (2008a) conclude that individuals on average fully adapt to marriage within 1–2 years after marriage. Frijters, Johnston, and Shields (2011) analyze quarterly data from the Household, Income and Labor Dynamics in Australia survey (HILDA) and argue that individuals fully adapt to marriage within a two years. By contrast, Zimmermann and Easterlin (2006) report that individuals' happiness two years after marriage is higher than the baseline level. The divergent conclusions are difficult to resolve due the different samples, methodologies and control variables used in these studies.

Our aim is to reconsider the effects of marriage on individuals' happiness using a different empirical strategy. We use 23 years of German panel data and follow the same individuals over several

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years. All individuals included in the sample marry in the course of time. Instead of entering a single marriage dummy we use a series of duration dummies. In this way we can identify an individual's happiness profile over time, starting five years before to five years after marriage. The reference period for our calculations is five years prior to marriage. In this way we are able to pick up the value of being single as the reference utility level more accurately. We include individual fixed effects into our analysis. The reasons are twofold. First, the fixed effects model implies the weakest assumptions in order to capture the idea of hedonic adaptation. If individuals over time return to some genetically determined level of happiness, this will be picked up by the fixed effects. Second, the coefficient estimates are solely driven by variation within the same person thereby ruling out selection effects.

As in the previous literature we find the strongest positive impact on happiness in the years around marriage and a huge drop one year after marriage.¹ However, after this honeymoon period effect reported happiness stabilizes. Since we use pre-marital singlehood as the reference period our estimates readily allow us to gauge the value of marriage in terms of money. The gains are large. For example, the estimate for the happiness boost of males in a union lasting five years roughly ranges from 23,000 to 84,000 Euros a year.

This paper has two main contributions. First, we obtain a more reliable estimate of the marriage benefits by using a longer time span. Second, we demonstrate that estimates of adaptation are very sensitive with respect to the chosen reference period. Both findings are important from a policy perspective. If individuals quickly return to a baseline which is determined by their personality, all policy attempts to improve well-being are in vain. Similarly, the degree of habituation to marriage may play a role for the calculation of loss compensation (Adler and Posner, 2008; Dolan and Kahneman, 2008; Oswald and Powdthavee, 2008b) or the valuation of public goods (Luechinger and Raschky, 2009; Luechinger, 2009, 2010).

Our results also contribute to the broader positive literature on individual well-being. For example, Stevenson and Wolfers (2008) employ data from the General Social Survey for the years 1972–2006 and show that in the United States income inequality increased while at the same time happiness inequality decreased. They conjecture that over time non-monetary factors have become an increasingly important input for individual well-being. Our estimates suggest that the gains to marriage are rather large compared to other life events and income. Hence, the returns to marital unions may be one of the important non-monetary inputs.

2. Background

The theory of search and matching clearly predicts that a single individual chooses to marry only if the (expected) utility from the partnership exceeds the value of being single.² However, there is no clear prediction on how the marriage surplus is split among the partners, as this strongly depends on the underlying theoretical

model.³ Moreover, observed transitions from singlehood into marriage in panel data do not directly reveal the marriage surplus. The concept of adaptation introduces a further complication, as it suggests that the marriage gains fade away over time while everything else is kept constant. In order to investigate the marriage gains empirically, we build on previous papers which convincingly argue that self-reported well-being is a reasonable approximation to individual utility (e.g. Oswald and Wu, 2010; Blanchflower and Oswald, 2008; Di Tella, MacCulloch, and Oswald, 2003; Di Tella and MacCulloch, 2006; Frey and Stutzer, 2002; Luttmer, 2005). In particular, we follow Blanchflower and Oswald (2004) and assume that reported individual well-being is equal to

$$r = h(u(y, x, m, t)) + e \quad (1)$$

where r is reported well-being, $u(\cdot)$ is individual utility depending on income y , a set of personal characteristics x , time t and marital status m , and $h(\cdot)$ is a non-differentiable function linking actual to reported well-being. The error term e captures all unobserved effects including the individuals' inability to report perfectly their true utility. Although not always stated, previous longitudinal studies which use life satisfaction as the explained variable implicitly adopt this framework.

Our empirical approach differs from previous analyses in two important dimensions. The first is the treatment of unobserved heterogeneity. Lucas et al. (2003), Lucas and Clark (2006) and Zimmermann and Easterlin (2006) compare different groups of individuals, for example individuals who cohabit prior to marriage and those who marry without providing an observable cohabitation period. Consequently, models that exploit between-individual-variation are needed and the authors rely on linear mixed effects models (hierarchical/multilevel models). However, it is difficult to rule out selection effects in such models. Moreover, they require that the random parameters are orthogonal to other fixed regressors. However, it seems reasonable that unobserved personality traits are correlated with regressors such as employment status and age, which renders the assumption invalid and suggests to employ a fixed effects framework.⁴

The second important factor is the way how potential benefits to marriage are identified empirically. As already mentioned, the concept of adaptation refers to the broad idea that individuals get used to the positive impact of marriage over time.⁵ However, there are several ways to take adaptation into account. One of the most important choices in this respect is the way the baseline life satisfaction is modeled, i.e. the level of life satisfaction to which the different levels of happiness that occur over time are compared to.

Lucas and Clark (2006) compare average life satisfaction across three different time periods: the baseline period comprises all years that are at least two years prior to marriage. The "reaction period" covers the year just before, the year of and the year just after marriage (t_{-1}, t_0, t_1); finally all years at least two years after marriage comprise the adaptation period. Zimmermann and Easterlin (2006)

³ In bargaining models the respective partners' negotiate the split of the marriage surplus. Bargaining power depends on the "threat-points", which is equivalent to divorce in the early literature (Manser and Brown, 1980; McElroy and Horney, 1981). Alternatively, it is some non-cooperative behavior if the partners fail to reach an agreement. Examples of these models include Lundberg and Pollak (1993) and Konrad and Lommerud (2000). For reviews see Lundberg and Pollak (1994, 1996, 2007) and Pollak (1994).

⁴ Ferrer-i-Carbonell and Frijters (2004) provide a discussion on this matter.

⁵ The theoretical channels that generate adaptation in general are mainly developed in a literature dealing with consumption and income rather than life events like marriage. For example, the idea that own consumption in the past or consumption of other comparison groups can affect the utility derived from own income is discussed by Duesenberry (1949) and Pollak (1970). Clark, Frijters, and Shields (2008b) provide a review of this literature.

¹ There are several explanations for this drop, e.g. partial adaptation or rising aspiration levels. The focus of this paper is not to distinguish between these factors. Our results suggest that individuals enjoy long-lasting happiness gains from marriage and as such are compatible with Easterlin (2005), who argues that individuals' aspirations in the income domain change strongly whereas aspirations with regard to marriage tend to be stable.

² See Burdett and Coles (1999) for a review of the search-theoretic literature. Note that this prediction does not necessarily hold for all future periods. It may be rational for individuals to enter a temporary marriage, expecting that they will divorce in the future (see, for example, Barham, Devlin, and Yang, 2009).

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