Price Theory: An Intermediate Text
By David D. Friedman, Published by South-Western Publishing Co., ©David D. Friedman 1986, 1990

Chapter 21: The Economics of Love and Marriage

What and Why Is Marriage?

(Miss Manners) also asks that you not bore her with explaining the comparative quality of marital and nonmarital relationships, especially when using the term "honesty" or asking the nonsensical question of what difference a piece of paper makes. Miss Manners has a safe-deposit box full of papers that make a difference.

--Miss Manners' Guide to Excruciatingly Correct Behavior by Judith Martin

So far in our discussion of the marriage market, we have taken the existence of marriage for granted. We will now turn from examining the market to examining the institution. Our first questions are "What is marriage" and "Why does it exist?"

Marriage as a Firm. One way of looking at marriage is as a rather odd sort of package deal, an exchange in which the two parties agree to share income, housing, sexual favors, and a collection of productive activities such as cooking meals, cleaning house, washing dishes, and rearing children. Seen from this standpoint, the motivation for marriage is, in part, the existence of economies of scale in production--it is easier to cook one meal for two people than two meals each for one person--and, in part, the advantage of division of labor. A marriage is simply a particular kind of two-person firm.

But a firm is not the only way of taking advantage of division of labor--there is the alternative of the market. Most of us take advantage of the comparative advantage of the butcher, the baker, and the brewer; but we do not have to marry them to get our dinner. The wife in a traditional marriage may have a comparative advantage over the husband in cooking, and the husband might have a comparative advantage over the wife in carpentry. But outside of the household, there are surely better cooks and better carpenters than either of them. Why does the couple limit itself to division of labor within the household?

The Reasons for Household Production. Few couples do; most of us obtain much of what we want by buying it on the open market. The typical family does, however, rely on household production for a considerable range of what it consumes--most meals, most domestic cleaning, much child care and education, and so on. Why are not these things too purchased on the market?

One reason is the existence of transaction costs. If you are going to build a house, it is worth hiring a carpenter. If you are simply fixing a few loose shingles, the time and trouble of finding a good carpenter, negotiating mutually satisfactory terms, and making sure he does the job may more than wipe out the carpenter's comparative advantage. The carpenter may be better at fixing the shingles than I am, but I am the one who gets wet if the roof leaks, so I have an incentive to do a good job even if nobody is watching me. And I have no incentive to waste time and energy haggling with myself over the price.

A second reason may be specialization--not in a particular product but in a particular set of customers. The cook at the restaurant my wife and I would go to if we spent less time cooking and more time earning money to pay for going to restaurants may be better at cooking than we are. But the restaurant cook is worse than we are at cooking for us. We, after all, are specialists in what we like. This may be still more true for some other forms of household production.

We now have at least a partial explanation for the existence of marriage. A second element worth investigating is the fact that marriage, in most societies, is a very long-term contract. Why?

Marriage and the Costs of Bilateral Monopoly. The answer was given back in Chapter 9, in the discussion of bilateral monopoly as a reason for long-term contracts. Before I went to work at UCLA, both I and the economics department were participating in a large and moderately competitive market. Once I had accepted the job and spent a year or two learning to do it, we were both to some degree locked into a bilateral monopoly. Both they and I had borne substantial costs associated with training me for that particular job and equipping the department to deal with that particular professor.

Marriage is a more extreme version of the same situation. Individuals choose their mates on a large and competitive market, however much they may protest that there could never have been anyone else. But once they are married, they rapidly acquire what in other contexts is known as firm-specific capital. If they decide to end the contract and find other partners, they incur very large costs that they would have avoided if they had chosen the right partners to start with. Their specialized knowledge of how to live with each other becomes worthless. One, at least, must leave a familiar and accustomed home. Their circle of friends will probably be divided between them. Worst of all, the new mate, whatever his or her advantages, is not the other parent of their children.

As I explained in Chapter 6, one problem with acquiring firm-specific capital is that it creates a large bargaining range between the two parties. Each may be tempted, in trying to get things his way, to take advantage of the fact that the other is locked into the relation and will choose to leave it only if things get very much worse. There is no way to eliminate such problems entirely, in marriage or in other contexts, but long-term contracting, explicit or implicit, is a common way of reducing them.

Enforcement Problems. The marriage contract involves two different elements, one a good deal more enforceable than the other. The agreement to remain married "till death do us part" is to a considerable degree enforceable; in many societies, although not ours at present, getting out of one marriage and into another is a difficult and expensive undertaking. Henry VIII, as you will remember, had to change the religion of an entire country in order to cancel his long-term contract with Catherine of Aragon.

But preventing the parties to a contract from backing out of it entirely does not solve the problem unless the contract specifies the precise obligations of each party--and does so in a way that can be enforced. Marriage without divorce can result in an even larger bargaining range than marriage with divorce, since one party can threaten to make the other's life so unpleasant that divorce would be an improvement. Whether the threat is a believable one may depend on the cost of carrying it out. If both parties know that when the argument is over they are still going to be married to each other, that may give them an incentive to avoid extreme strategies.

This suggests that the ideal solution would be a long-term contract that completely specified the obligations of both parties. Before the contract is signed, there is no marriage, no bilateral monopoly, and not much of a bargaining range. After the contract is signed, there is nothing left to bargain about.

To some extent, marriage is such a contract. It is, in principle, possible for a husband or wife to claim that the other is not living up to his or her responsibility--for a wife to sue a husband for failing to support her, for example. The problem is, first, that one can never write a contract detailed enough to specify all the relevant terms and, second, that even if one could, it would be almost impossible to enforce it. Here, as with price control, the individual who is legally obliged to provide a specified product at a specified price can generally evade the obligation by lowering quality. So far as I know, nobody has ever successfully sued his or her spouse for cooking--or making love--badly. So a considerable amount of bargaining room remains, and is used, even in marriages in traditional societies.

Love and Marriage. So far in this chapter I have said nothing about love, which is widely believed to have some connection with marriage. It may seem odd to ask why we marry someone we love, instead of marrying someone whose tastes agree with and whose skills complement our own and then conducting our respective love lives on the side, but it is a legitimate question.

There are two answers. The first is that love is associated with sex, for reasons that can be explained (by sociobiology—economics applied to genes instead of people) but will not be here, and sex with having children. Parents much prefer rearing their own children to rearing other people's, and much of child rearing is most conveniently done in the home of the rearer. So it is convenient, to say the least, if a child's parents are married--to each other.

The second answer is that love reduces, although it does not eliminate, the conflicts of interest that lead to costly bargaining. If I love my wife, her happiness is one of the main things determining mine; we therefore have a common interest in making her happy. If she also loves me, we also have a common interest in making me happy. Unless our love is so precisely calculated that our objectives are identical, there is still room for conflict, in either direction; if we love each other too much, my attempts to benefit her at my expense will clash with her attempts to benefit me at her expense.

A more precise discussion of the logic of such situations will have to wait for the second part of the chapter, where I work out in some detail the effect of altruism on the behavior of altruist and beneficiary.

The Decline and Fall of American Marriage. Now that we have at least a sketch of an economic theory of marriage, we might as well do something with it. One obvious thing to do is to explain the decline of marriage in the United States (and some similar societies) over the course of this century. Why has marriage become less common and why has the effective term of the contract become so much shorter?

The simple answer is that the amount of time spent in household production has declined drastically, and with it the amount of firm-specific capital acquired by the partners, especially the wife. Earlier I remarked that it was not necessary, in order to get dinner, to marry one's butcher, baker, and brewer. In fact, a few hundred years ago, it was not uncommon for a man to be married to his baker and brewer and a woman to her butcher--all three of those professions were to a considerable extent carried out within the household, especially in rural areas. Dorothy Sayers, in one of her essays, suggests that men who complain about women stealing men's jobs should be asked whether they wish to return to women all the industries that used to be conducted by housewives and have now moved onto the market, such as brewing beer, preserving food, and making clothes.

One factor reducing the amount of household production has been the increase in specialization over the past few centuries. Bacon, clothing, jams, and many other things are now mass-produced instead of made at home. A second factor has been the mechanization of much of what remains. Clothes and dishes are still washed at home, but a good deal of the work is really done by the firms that make the washing machines. A third factor has been the enormous decrease in infant mortality. It used to be necessary for a woman to produce children practically nonstop in order to be fairly sure of having two or three survive to adulthood, with the result that bearing and rearing children was virtually a full-time job. In a modern society, a couple that wants two children produces two children.

The result of all three changes has been greatly to reduce the amount of work done by an average housewife. Housewife is no longer a full-time profession, save in certain unusual cases--families that want a lot of children, couples going "back to the land," and the like. But household production in general and child rearing in particular are responsible for a large part of the specialized capital associated with marriage. If husband and wife each spend 80 percent of the day working at a job and 20 percent taking care of the household and if they have no young children, the costs of divorce are not all that great. Even for a somewhat more traditional family, with the husband working full time and the wife dividing her time between work, housekeeping, and rearing one or two children, the costs of divorce are much lower than they were a few generations ago.

Divorce is not all costs. There are benefits too; otherwise nobody would ever get divorced. If the benefits remain unchanged and the costs are reduced, the number of cases in which at least one partner finds that benefits are greater than costs will increase. Judging by the divorce rate, it has. Seen from this standpoint, the increase is neither inherently good nor inherently bad, neither evidence of increased freedom nor a consequence of declining moral standards. It is merely a rational adjustment to a changing world.

It is good insofar as it reflects, and accommodates, an increase in the range of choice available to individuals. We could choose to live in eighteenth century households, tanning our own leather and brewing our own beer. Some people do--you can read about their lives in Mother Earth News every month. The fact that most do not is evidence that, for most of us, the costs of living that kind of life instead of our present one are larger than the benefits.

The increased divorce rate, and the general difficulties with modern marriage, are bad things only to the extent that they reflect the failure of our institutions and expectations to adjust completely to new circumstances. The terms on which two people can live a happy and productive life together are not so simple that each couple can invent them independently in a few hours. The division of labor has a place in building institutions as well as houses. In a relatively static society, we can observe successful arrangements, patterns that have worked in the past and will probably work in the future. In a rapidly changing society, it is more difficult to figure out what kind of a contract we should or should not agree to and what kind of a marriage--or alternative arrangement--we should or should not choose. Hence there are likely to be more mistakes. Here as in most other areas, economic theory is more useful for describing the equilibrium than for describing the process by which we move from one equilibrium to another.