

Socioeconomic views on partnership and divorce

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1) Introduction

How can economists explain the fact that more and more partnerships are divorced? Why do people leave a relationship which was initially entered because of maximizing their expected utility?

What aspects and effects influence partnerships?

The following paper deals with these questions, and shows socioeconomic views to this topic.

2) Divorce: partner search and capital formation

The reason for marriage lies traditionally in gain from trade through specialization and sharing public goods. The role of the search market is to match the right people together. A very important aspect on this market is the earning variables for the partners.

Becker (1991) explains the pattern of earnings coefficients in divorce regressions as due to the fact that:

“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.”

Additional to this fact, women with higher wages and better education can more easily survive divorce, and therefore end unsatisfying relationships more quickly.

But this thesis generates a conflict: Individuals with higher earnings can search more efficiently on the partner market, which reduces the likelihood of a mismatch, but at the same time it makes exit easier, which leads to a destabilization of the relationship.

This neglects the role of capital formation while searching for the right partner. This means that an individual, who acquires more marriage-relevant capital, during partner search, will find a more efficient union. In the following chapters we will take a closer look on the search market and capital formation.

2.1) *the traditional marital formation model*

The start for our basic model is, like in most economic models, the individual utility function:

$$U = U(X, P)$$

X...private goods
P...public goods

This means that people can derive their individual utility from private and public goods.

But how can we explain in this model the reason why people enter a partnership?

In our basic model the motivation for family formation is supplied by treating the offspring as a public good. Investing in your children generates external benefits for others and for you. But for this you must not be married. So why do people stay

married, and do not divorce after getting their children. Following this thesis the reason to stay married is the wish to capture consumption benefits of investments in the child.

But this model neglects some very important aspects, like taste or capital formation during partner search. In the following chapter we will add some of these neglected parameters to the model.

2.2) *sexuality, security and status*

In our basic model, explained in the chapter above, our key argument for partnership is “progeny as public good”.

But why do people enter a partnership without immediately starting the production of children, or without producing progeny?

To make this model more adequate to this question above, we will add some key arguments to our utility function:

- Recreational sex (S)
- Needs for comfort and security (M)
- Symbolic value of being married, and the status it may confer (H)

Another argument we want to mind is the “desire for variety in consumption”. People want to vary in their demand for partners. Following this thesis the individual has to interact with other people to get different varieties of recreational sex (S) and the need for comfort and security (M), and to maximize its utility. Therefore we add S_1, S_2, M_1 and M_2 instead of S and M to our new utility function:

$U = U(X, P, S_1, S_2, M_1, M_2, H)$ <p style="margin: 0;">X...private goods</p> <p style="margin: 0;">P...public goods</p> <p style="margin: 0;">S_1, S_2 ...recreational sex</p> <p style="margin: 0;">M_1, M_2 ...needs for comfort and security</p> <p style="margin: 0;">H...status</p>
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But although divorce rates are rising, and people marry at a higher age, most heterosexuals consume at least one marriage. People want to enter a partnership, because they expect some kind of utility and earning, because of their marital status. But what do they invest in the search for the partner, who will generate the maximum productivity in their future partnership? And what effects has this search on the partnership followed by it?

Firstly, they may practice on would be partners. So they can satisfy their demand for variety and gather experience for their future partnership. Entering into a marriage without experience may greatly danger the stability of the partnership, because of the missing satisfaction in the variety of demand, which may lead the individual to the market of prostitution or an “extra martial affair”, which if discovered can be a trigger to separation.

When is it now optimal to discard the sample? The cut-off point here depends on the risk attitude of the sampler and the growth in the transferable skills being accumulated in a training relationship.

The conclusion of the theory would be that those who take more time in search are likely to be more successful in finding the right partner. Following this, age at marriage is also strongly related to the probability of marital disruption, because older individuals had more time for search and capital formation during search than younger ones.

2.3) the model in use

In this chapter we will use concrete data on our model to see if we can confirm our assumptions made in the chapter before.

2.3.1) Data

The data we will use for our model comes from the National Survey of Sexual Attitudes and Lifestyles (NSSAL), which has a large sample and a wide range of variables.

The NSSAL survey was carried out, by professional market researchers, in the UK in January 1990. The primary purpose of the study was to examine whether there had been discernible behavioral responses to the threat of HIV/AIDS, it was conducted in the context of a thorough examination of the overall lifestyles and socio-economic circumstances of the individuals.

There is a huge amount of variables used in this survey, but for us only the capital formation and search variables are interesting:

- SINGSKL: This variable is a dummy for having been at a single sex school. Having no contact to the opposite sex in school time, has a negative effect on partner search and capital formation.
- FSEXUN3: This variable is a dummy variable. If the value of this variable is 1, the person's first sexual intercourse didn't lead to more than a 3 month relationship with his or her first sexual partner. This variable is surely a candidate for capital formation. In context to this we can also look at the NSEXUN3 variable, which represents how quickly the individual moves forward to the second sexual partner.
- RCATH: This variable informs us if the person is a roman catholic or not. Roman Catholics are less likely to divorce, because of the fear of social stigma or punishment. We can use this for our H-dimension.
- HOMMORE, HOMONCE: We can use this extreme variable, which gives us information if the person ever had homosexual contact to another person, for our S-dimension.
- CONDO1ST: This variable gives us information if the person used a condom during first sexual intercourse. In our model we can use this as a risk variable. Risk aversion should lead to a lower divorce probability.

2.3.2) Results

The results of estimating the logit equations for ever having divorced are shown in the following tables.

Variable	Coefficient	S.E.	Two-tailed critical significance
FSEXUN3	-0.0655	0.1144	0.5671
NSEXUN3	0.3131	0.2382	0.1888
FBL18***	11.188	0.1666	0.0000
FBL21***	0.7750	0.0931	0.0000
FBM29	0.1443	0.1310	0.2707
AGEL20*	-1.7273	0.6334	0.0064
AGEL30***	-1.1812	0.1207	0.0000
AGEL50***	0.5395	0.0861	0.0000
AGEL60***	0.4569	0.1105	0.0000
AIDSHI	0.0456	0.0789	0.5633
ALEVEL	-0.0208	0.1012	0.8369
ASIAN*	-0.6171	0.3687	0.0941
BLACK	-0.0752	0.3142	0.8109
CONDO1ST	-0.0874	0.0730	0.2316
DEG	-0.1418	0.1596	0.7896
EANGL	0.2297	0.2295	0.3167
CONTROL***	-0.2033	0.0704	0.0039
EMIDS*	0.3527	0.1935	0.0684
FSO25***	-1.5735	0.2897	0.0000
FSU16***	0.7240	0.1481	0.0000
FSU18***	0.3543	0.0896	0.0001
FSU25***	-0.3631	0.0979	0.0002
GOCHURCH***	-0.0088	0.0025	0.0004
GLOND***	0.5349	0.1949	0.0061
HOMMORE*	0.8211	0.4849	0.0904
HOMONCE***	10.517	0.2871	0.0002
JEW	-0.7119	0.4973	0.1523
NATKIDS***	0.7926	0.1901	0.0000
NWEST**	0.3614	0.1812	0.0461
OLEVEL	-0.0623	0.0851	0.4638
OTHQL	-0.1856	0.2884	0.5198
OTHRACE	-0.0029	0.3620	0.9936
RCATH	0.0755	0.1227	0.5384
SCOTL	-0.0882	0.1998	0.6591
SINGSKL	0.0587	0.0759	0.4394
YANDH**	0.3811	0.1869	0.0414
WALES	0.1697	0.2064	0.4110
SOUTHW*	0.3481	0.1923	0.0702
SOUTHE	0.2801	0.1729	0.1053
WMIDS	0.2406	0.1900	0.2054

Table 1 logit estimates of female, divorce equation

Variable	Coefficient	S.E.	Two-tailed critical significance
FSEXUN3***	-0.3912	0.0635	0.0000
NSEXUN3	0.0497	0.0985	0.6136
FBL18***	16.165	0.2227	0.0000
FBL21***	10.039	0.0905	0.0000
FBM29***	-0.3180	0.0841	0.0002
AGEL20*	-1.6107	0.8871	0.0694
AGEL30***	-0.7126	0.0884	0.0000
AGEL50*	0.1923	0.0690	0.0053
AGEL60	-0.0888	0.0755	0.2394
AIDSHI***	0.2304	0.0560	0.0000
ALEVEL***	-0.2357	0.0719	0.0010
ASIAN	-0.8734	0.2541	0.0006
BLACK	0.1377	0.1909	0.4706
CONDO1ST****	-0.2550	0.0573	0.0000
DEG	-0.3269	0.1053	0.0019
EANGL	0.0289	0.1629	0.8590
CONTROL***	-0.3086	0.0533	0.0000
EMIDS	-0.0611	0.1390	0.6600
FSO25	-0.5890	0.1347	0.0000
FSU16**	0.1807	0.0902	0.0452
FSU18**	0.2260	0.0709	0.0014
FSU25**	-0.2256	0.0767	0.0033
GOCHURCH***	-0.0073	0.0020	0.0002
GLOND**	0.3047	0.1350	0.0240
HOMMORE	0.4406	0.2924	0.1318
HOMONCE	0.3079	0.1987	0.1211
JEW	-0.4697	0.4022	0.2430
NATKIDS***	14.238	0.2286	0.0000
NWEST	0.2225	0.1278	0.0817
OLEVEL	-0.0231	0.0698	0.7403
OTHQL	-0.3723	0.1796	0.0381
OTHRACE	0.1827	0.2421	0.4506
RCATH	-0.0148	0.0949	0.8758
SCOTL	0.0062	0.1370	0.9637
SINGSKL	0.0499	0.0582	0.3912
YANDH	0.0980	0.1345	0.4663
WALES	-0.0254	0.1504	0.8658
SOUTHW	0.1833	0.1364	0.1790
SOUTHE	-0.0364	0.1185	0.7588
WMIDS	0.1724	0.1322	0.1922

Table 2 logit estimates of male, divorce equation

Significant at the 10% level (two-tailed tests).

Significant at the 5% level (two-tailed tests).

Significant at the 1% level (two-tailed tests).

Some of the variables in the tables above give us some general information about divorce:

- The older people are the more likely they are to be divorced.
- The education variables are not statistically significant for women, but for men there some tendency for a deterrent effect.
- All variables for age at first sexual intercourse are statistically significant. If the person loses his or her virginity very early, the risk of divorce increases for both sexes. If the person (especially women) is at a higher age than usual when they have their first sexual intercourse, they are less likely to divorce.
- The age of the person when the first child is born, is also statistically significant for both sexes. The later the first birth is delayed the less the risk of divorce.

Now we take a closer look at our variables and the impacts they have or not have on divorce:

- RCAHT: There is little sign that those variables have per se any impact on divorce.
- SINGLESKL: The variable is not statistically significant for men and women.
- CONDO1ST: The risk variables are not significant for women but for men. More risk aversion lead to a more effective match.
- FSEXUN3: The following table shows the divorce probability of men and women with and without short early sexual relationships.

	Male without	Male with	Female without	Female with
<20	0.10386	0.07268	0.02662	0.02498
20–30	0.2149	0.16135	0.04509	0.04235
30–40	0.36726	0.28252	0.13331	0.12592
40–50	0.41297	0.32235	0.20871	0.19810
50–60	0.34706	0.26439	0.19545	0.18535

Table 3 divorce probability with and without short early sexual relationships

Predictions for women show that this specific capital formation variable has little estimated influence on the likelihood of divorce, no matter of the age. But for men we can see a bigger difference between the two groups in the range from 8-10%. In fact it seems that our capital formation variable in this case has impact on divorce for men.

As we can see the influence of the factors mentioned above is much higher for men than for women. A reason could be that men have a higher demand for variety in their “product demand”.

One on the one hand these results show us that there is an influence of capital formation on the divorce probability of a relationship. On the other hand we can see that it's not easy to isolate and recognize those effects.

3) Partnership

In the following chapters we will have a closer look on what is happening in a partnership to find reasons why relationships are broken up.

3.1) *sex-specific views on the family finances*

The main question we want to handle in this chapter is: Do husbands and wives have the same view of the family's financial situation?

Researches show that if partners are interviewed alone they report very different views of the family's wealth and income. But what are the reasons for those differences?

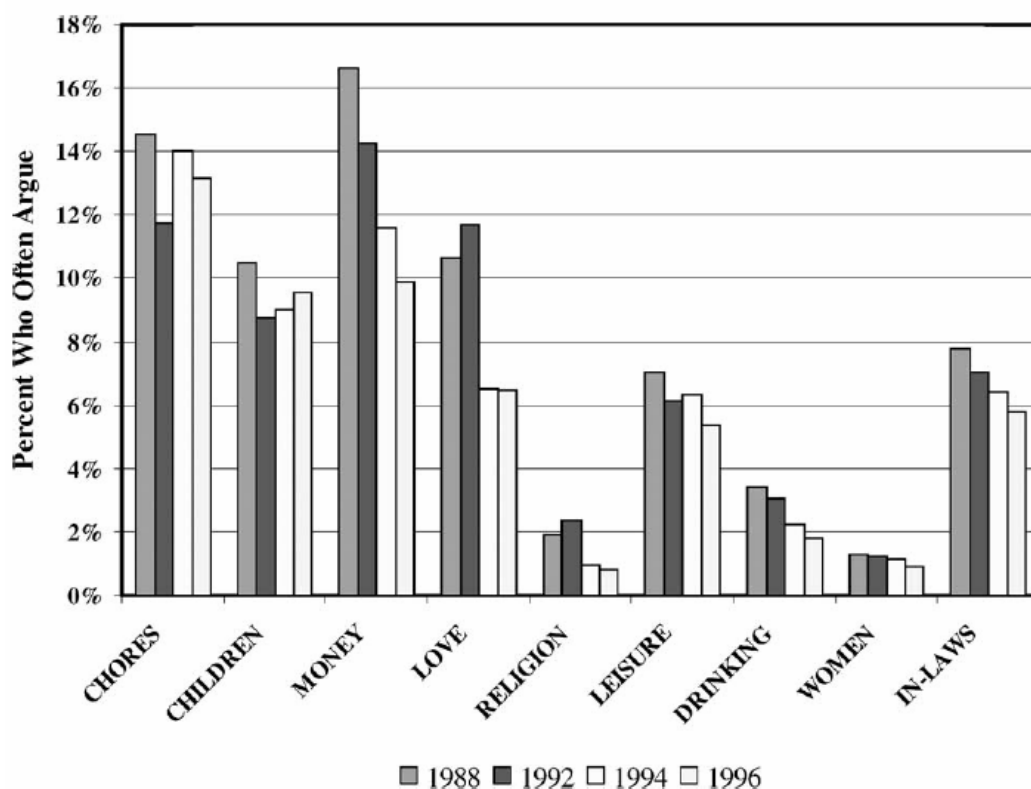


Figure 1 Topics partners often argue about

The figure above shows that the top reason why partners argue is money. But where exactly are the differences and why do they exist?

In fact there is more agreement over the family's income than their wealth. Men report higher family income and higher family wealth, like cars or houses. Women on average think that the family owes more debts.

Studies showed that there are very different risk tolerance and investing patterns for men and women, and finding the reasons for this behavior would be very useful for understanding financial behavior of households.

The following study will prove the statements mentioned above and will try to find answers to some of the interesting questions in context to the topic.

3.1.1) Data

This research uses five groups of National Longitudinal Surveys (NLS) with different ages:

- **Mature Men**, age 45–59 in 1966;
- **Mature Women**, age 30–44 in 1967;
- **Young Men**, age 14–24 in 1966;
- **Young Women**, age 14–24 in 1968;
- **Youth (NLSY79)**, age 14–21 in 1979.

Together these five groups provide very detailed information on over 33,000 individuals, recorded in 82 separate surveys that were fielded over almost 40 years

Although the NLS data provides data from a large spectrum of individuals and couples, we can see that NLS couples are not a random sample of US couples. If you look at the table below you can see that almost 90% of all couples analyzed are white. This doesn't fit to the actual US population.

If you look at the next portion which examines education you can see that wives are more educated than their husbands. More wives in the Mature and Young Women group finished high school than their husbands. These differences too do not match to the actual US population, where the situation is vice versa.

In the table below are also characteristics taken from the first interview provided. You can see that husbands are older than their wives. The age difference is smallest among the youth and largest among the mature men and women.

The next information we are given by the data is how much *years couples are married*. In this survey most of the couples have long time relationships. The average youth couple had been married almost 8 years, the average young men and women couples 3.5 years and the mature men and women couple 19 years. In fact these couples represent marriages that are longer lasting than a typical US marriage.

The number of children is between 2 and 3 children per couple. We can see that younger couples have fewer children than older ones.

When Couples divorce or become widowed they are removed from this analysis.

In the last line of the table (*Marriage dissolve*) we see that over 15 years more than one quarter of all youth couples dissolve, almost one third of young men and women Split up and less than one quarter of the mature men and women divorce or become widowed.

In general the table shows us that white, more educated couples are living in long term relationships. These factors suggest couples in this survey have are more likely to have similar financial than couples in the general population.

	<i>NLSY79 Men— husbands (in 1985)</i>	<i>NLSY79 Women— wives (in 1985)</i>	<i>Young Men— husbands (in 1968)</i>	<i>Young Women— wives (in 1968)</i>	<i>Mature Men— husbands (in 1967)</i>	<i>Mature Women— wives (in 1967)</i>
Race						
White (%)	87,70	88,10	90,40	90,50	89,20	87,80
Black (%)	6,00	5,30	9,60	9,50	10,80	12,20
Hispanic (%)	6,30	6,60	na	na	na	na
Education						
No degree (%)	37,90	31,50	23,40	28,30	52,80	39,10
High school degree (%)	44,50	43,20	44,40	52,50	25,50	42,90
Attended college (%)	17,60	25,30	32,20	19,20	21,70	18,00
Other						
Age	26,40	25,40	23,60	21,70	48,20	40,20
Years married	7,90	7,90	3,70	3,40	18,70	18,70
Children	2,20	2,30	2,20	2,50	3,30	3,20
Marriage dissolve (%)	25,90	25,90	31,80	31,80	22,60	22,60
Number interviewed	119,00	119,00	584,00	584,00	492,00	492,00

Table 4 demographics of couples in first year of research

3.1.2) family income

The family income was the first variable each respondent was questioned about. The participants were asked different questions to determine her or his sight of the total family income.

$\text{Family Income} = \text{Wages} + \text{Government transfers} + \text{Gifts} + \text{Alimony} + \text{Income from other sources.}$

To be sure the question was understood and answered correct, questions concerning the wages of the respondent and the spouse were repeated a second time.

The value resulting from this formula was then adjusted for inflation to transform them into 1998 dollars.

Some of the values collected in the survey were eliminated, because in the year the respondent answered the questions he or she divorced, separated or one partner died.

3.1.3) family wealth

The second variable the participants were questioned about was the family wealth to provide a more complete picture of the financial situation of the family. Respondents were asked if they currently own an asset or have a debt. If they answered yes, the interviewer asked for the current market value.

$\text{Family Wealth} = \text{Assets} - \text{Liabilities}$

Participants usually provide information on their home's value, cash savings, farm, business and real estate holdings, vehicles, stock and bond holdings, estates and trusts, retirement accounts, and major debts.

The values are again converted into 1998 dollars and values are eliminated when the respondent divorced, etc. in the year he or she was questioned.

3.1.4) Results

To answer our starting question: “How different are views concerning the family finances?” the difference is calculated with the following simple formula:

$$\text{Couple difference} = \text{Financial Value (Husband)} - \text{Financial Value (Wife)}$$

The following graph shows us the differences by using only the family income as input variable:

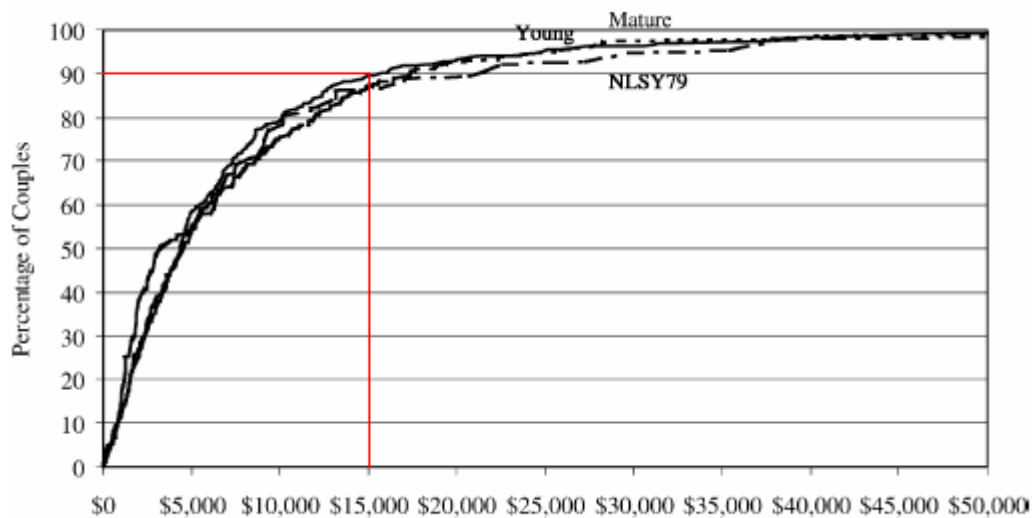


Figure 2 Couple difference family income

The graph shows about how much dollars how many couples differ about their family income. For example 90 percent of all “Young” couples reported family income values that differed by 15.000 dollars or less, respectively 10 percent of all couples differed by more than 15.000 dollars.

The next graph shows us the differences by using only the family wealth as input variable:

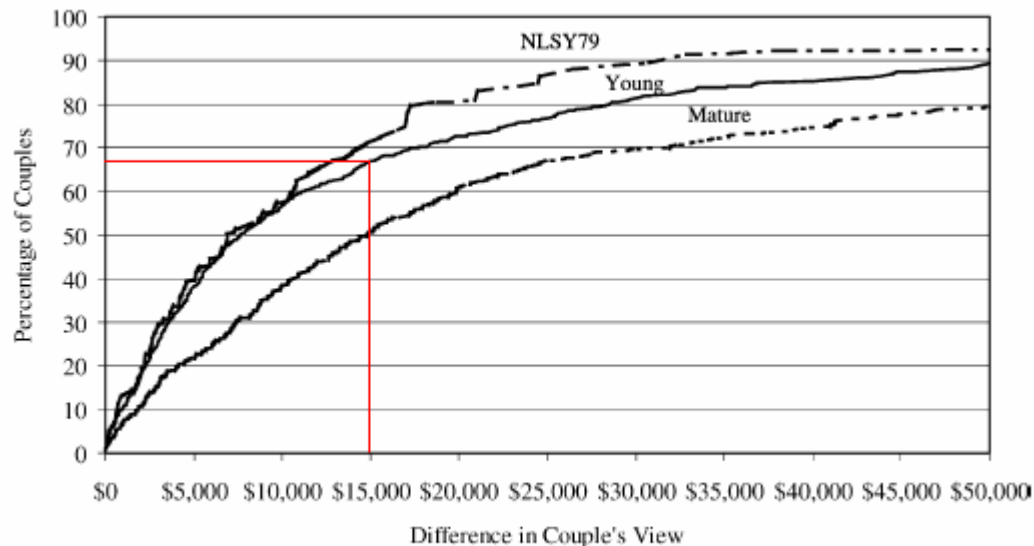


Figure 3 Couple difference family wealth

Here we can see that about 68 percent of all “Young” couples reported family wealth values that differed by 15.000 dollars or less, respectively 32 percent of all couples differed by more than 15.000 dollars.

This shows us that couples have definitely more diverging opinions about the family wealth than the family income.

Half of all NLSY79 and Young couples stated wealth values that differ by more than 7000 dollars while half of all Mature couples differ by more than 14,700 dollars.

To get a more specific view on those differences the next two graphs show the difference as a percentage of family income or wealth. This is done because e.g.: a difference of 1000 dollars is very big for a poor family but nothing for a rich one.

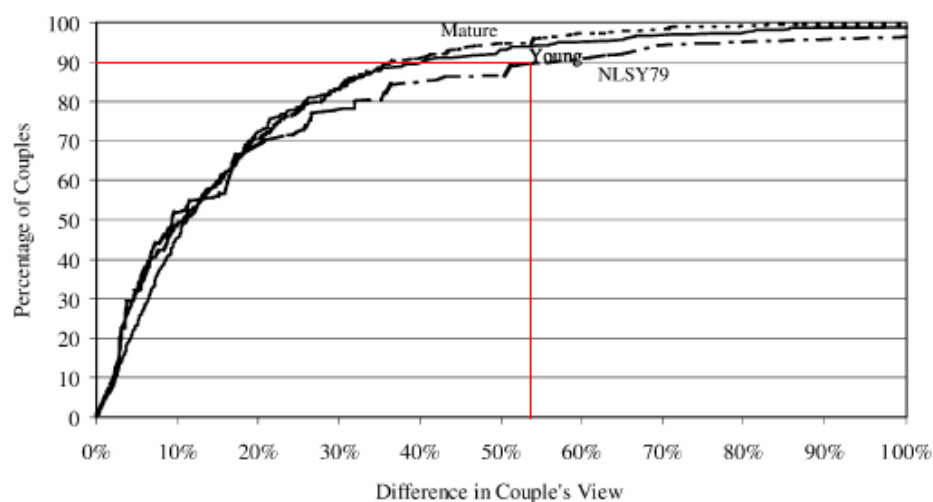


Figure 4 Couple difference family income (%)

The graph above shows us that 90 percent of all “Young” couples have opinions about their family income that differed by more than 50 percent. In comparison to the income graph with the absolute scale we can see that “Young” couples have bigger differences in their views on the family income than mature ones.

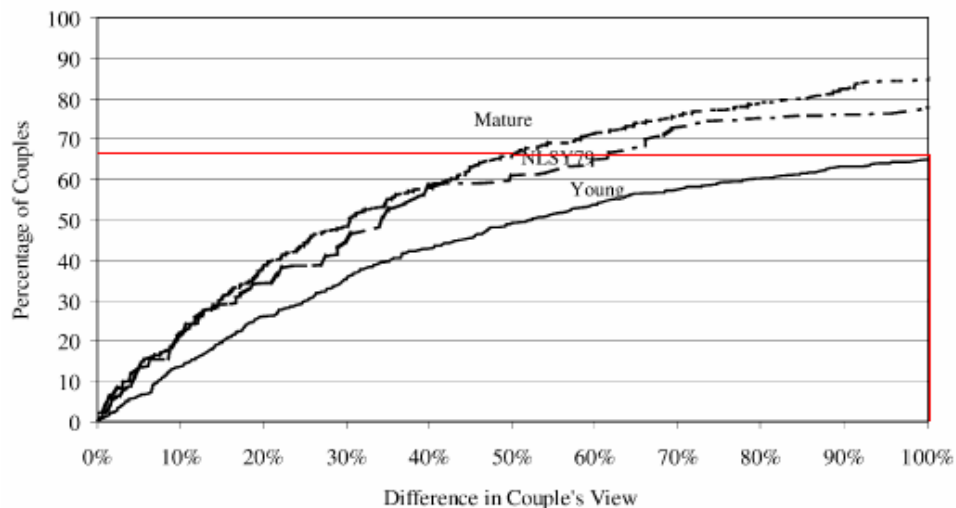


Figure 5 Couple difference family wealth (%)

This graph shows us that about 68 percent of all “Young” couples have opinions about their family income that differed by more than 100 percent (the exact value is 243 percent!). In comparison to the wealth graph with the absolute scale we can see again that “Young” couples have bigger differences in their views on the family income than mature ones.

Concluding we can say, the graphs above show that the majority of couples have dramatically different opinions about their income and especially their wealth. Half of all couples disagree on income by more than 10% and half of all couples disagree on wealth by more than 30%.

But which sex provides higher financial income, respectively wealth?

The next table provides more detailed information on this question:

	Income			Wealth		
	NLSY79	Young	Mature	NLSY79	Young	Mature
All couples						
Number of couples	113	512	445	117	582	489
Median dollar difference (US\$)	1015	2591	1338	2052	930	1478
Mean dollar difference (US\$)	2319	4072	1494	12109	3145	36130
Median difference (%)	3.1	6.9	2.9	9.7	11.3	2.3
Mean difference (%)	10.6	9.6	2.5	33.0	19.4	11.9
Couples where husband > wife						
Number of couples	64	353	268	65	312	265
Median dollar difference (US\$)	6545	4755	3913	6865	9884	16214
Mean dollar difference (US\$)	9991	8134	7504	35345	29896	90887
Couples where wife > husband						
Number of couples	47	158	176	48	266	218
Median dollar difference (US\$)	1857	3093	5123	8658	8567	13099
Mean dollar difference (US\$)	7448	5024	8265	22906	27433	29017
Couples where wife = husband						
Number of couples	2	1	1	4	4	6

Table 5 detailed income and wealth differences

Men provide higher financial values for the family finances than their wives. The differences between the husbands and the wife's view are in the typical family very large, ranging in the thousand dollars

The typical husband's view of the family income is between 1000 and 2500 dollars more than his wife's. The "NLSY7" and "Mature" Men stated a family income 3 percent and the "Young" Men 7 higher than his wife.

The difference concerning the family wealth is 9.7 percent for the NLSY79 couples, 11.3 percent for "Young" couples and 2.3 percent for "Mature" couples.

Only 37 percent of the time wife's provided higher income views and 44% of the time higher wealth views.

Even when a wife has a "better" view of the family finances, the difference is usually much less than if husbands state higher values

On average "NLSY7" men, who provided higher family income, stated an income 6545 dollars higher per year. In comparison, "NLSY7" wife whose answer is bigger than her husband stated an income only 1857 dollars a year larger

In percentage terms, the typical husband's income statements are around 5 percent larger than his wife's and his wealth views are around 10 percent greater.

So we can answer the question stated above easily with: "Usually the man provides higher financial income and wealth".

3.1.3) Reasons

What are the reasons for the disagreement about the family income?

To answer this question, concerning the income, respondents were asked to report for themselves and their spouse. The result of this survey was that men and women state higher wages for themselves than their spouse reports.

All "NLSY79" women report that they believed they were paid 6532 dollars per year.

The typical "NLSY79" man only reported 3352 dollars income per year for his wife.

This is a difference of more than 3000 dollars. In comparison a typical "NLSY79" man believes that he earns 34,580 dollars per year, while the women only state 31,045 dollars income for her husband. This is a difference of 3500 dollars.

In conclusion, the reason many couples are reporting dramatically different total family income is that each partner overstates his or her own income and understates the income of the partner.

And why do men state a higher family wealth than their partners?

One possibility would be that men provide higher values for assets, or wives provide higher values for debts.

Cohort	Dollar difference	Percent difference
Gross assets		
NLSY79	887	+1.3
Young	1140	+2.6
Mature	4714	+7.6
Total debts		
NLSY79	-548	-3.7
Young	-84	-0.3
Mature	-493	-4.0

Table 6 differences in assets and debts view

The table above supports this theory by showing that men always provide higher assets (positive numbers) and women higher debts (negative numbers):

Concluding we can say that there are very big differences between men and women, concerning the family finances, and that money is one of the topics couples argue about. We can say surely that those differences are not the only reason for couples to split up, but conflicts are generated by them and maybe this is the first step to divorce.

3.2) *the role of social norms*

3.2.1) the model

3.2.2) Results

4) Income differences between men and women

4.1) *Skills: verbal vs. mathematic*