Marriage on the Outs?

The institution of marriage is solid — but only for certain groups. Economics helps explain why

BY JESSIE ROMERO

You wouldn't know it from watching the wedding-dress shows on TV or browsing the celebrity-wedding headlines in the checkout aisle, but for years, marriage has been on the wane in the United States. Only 53 percent of adults were married in 2012, according to the Census Bureau, compared with 68 percent of adults in 1960.

In part, that's because people are waiting longer to get married than they did a generation ago. The median age of first marriage has increased by more than six years since 1960 for both men and women, to 29 and 27, respectively. But it's also because fewer people are choosing to get (or stay) married — a reflection of tremendous cultural and technological changes during the past five decades.

The decline in marriage is far from uniform, however; marriage and divorce rates vary significantly across socioeconomic lines. Given the large body of research that purports to show married people and their children are happier, healthier, and wealthier, many policymakers and researchers are concerned about the long-term consequences of changes in marriage. But the evidence in favor of marriage is far from conclusive, so it remains a hotly debated question: Does marriage matter?

Love, Economist-Style

To an economist (at least from a professional point of view), marriage isn't just about love. Instead, it's a decision that can be analyzed like any other economic decision: People get married when the net benefits outweigh the net benefits of being single. In his influential 1981 book, *Treatise on the Family*, Nobel laureate Gary Becker, an economist at the University of Chicago until his death in 2014, described the household as a small firm in which workers specialized in different tasks. In particular, because of their natural and historical comparative advantages in childbearing and rearing, women specialized in the domestic sphere and men specialized in the market sphere. In this framework, men and women formed households because they could produce more together than they could apart. Marriage was a contract that assured men their children and home would be cared for and that protected women who had forgone the opportunity to gain the skills needed to succeed in the market sphere when they opted for home life.

Beginning in the 1950s and 1960s, new technologies and changing cultural norms dramatically altered the calculation for people considering marriage. New devices such as dishwashers and washing machines and the increasing availability of goods and services for purchase — both domestically and from abroad — dramatically lowered the time and skill required to manage a household. "This reduces the importance of having domestic household specialists," says Justin Wolfers, a senior fellow at the Peterson Institute for International Economics and a professor at the University of Michigan. "My grandmother used to make clothes for my mother. My family also has a seamstress — it's someone who lives in China."

Other changes included the advent of reliable, female-controlled birth control in the form of the pill and the legalization of abortion, which lowered the cost — choosing between abstinence or the risk of having a child out of wedlock — of remaining single. With greater control over childbearing, women began increasing their educational investments and delaying marriage, contributing to a dramatic rise in women working. Between 1950 and 1990, women's labor force participation rate increased from 37 percent to 74 percent.

Shifting cultural norms also altered the calculation. "Think about the words we used to use," says Isabel Sawhill, a senior fellow in economic studies at the Brookings Institution. "Cohabitation was called 'living in sin.' Children born outside of marriage were called 'illegitimate.' All of that's changed. There's much less social pressure to marry." In addition, U.S. Supreme Court rulings in the late 1960s and early 1970s granted constitutional protections to children born out of wedlock, including overturning state laws that denied "illegitimate" children the right to paternal support, thus reducing the social and economic costs of single parenting.

The Retreat from Marriage

These changes have resulted in what many social scientists have deemed a "retreat from marriage." The marriage rate peaked just after World War II, when there were 16.4 marriages per 1,000 people, plateaued at around 10 marriages per 1,000 people during the 1970s and 1980s, and has declined steadily since then. In 2012, there were 6.8 marriages per 1,000 people, according to the most recent data available from the National Center for Health Statistics (NCHS).

The NCHS data do not yet include same-sex marriages, but the Census Bureau started publishing data on same-sex marriages in 2005 (and in 2013 began counting them in its overall marriage statistics rather than grouping them with cohabiting couples). Same-sex marriages currently are a small share of all marriages, and it's unclear how the nationwide legalization of same-sex marriage in June 2015 will affect long-term trends. In 2013, there were between 170,000 and 252,000 same-sex married couples, compared with about 56 million opposite-sex married couples. In the short-term, some estimate the number of same-sex marriages could increase to 500,000.

While opposite-sex marriage has decreased, cohabitation — living with an unmarried romantic partner — has increased. In 1995, cohabiting rather than marriage was the first union for 34 percent of women, according to the National Survey of Family Growth. During the 2006-2010 wave of the survey, cohabiting was the first union for 48 percent of women. For many of the couples in the 2006-2010 survey, living together was a precursor to marriage; 40 percent of cohabiting couples had gotten married within three years. But another 32 percent were still living together without getting married. (The remainder had broken up.)

Fewer and later marriages have coincided with a growing share of children born to single mothers. In 1970, about 15 percent of first births were to unmarried women. By 2011, nearly 50 percent of first births were to unmarried women, according to a report by the National Campaign to Prevent Teen and Unplanned Pregnancy, the Relate Institute, and the National Marriage Project at the University of Virginia.

The cultural and economic changes of the 1960s and 1970s also contributed to a large spike in divorce rates. Between 1960 and 1980, the number of divorces per 1,000 married couples more than doubled, from fewer than 10 to more than 20, according to research by Wolfers and Betsey Stevenson, also an economist at the University of Michigan. (Stevenson and Wolfers have been partners for nearly two decades and have children together, but they are not legally married.) Nearly 50 percent of all new marriages between 1970 and 1979 ended in divorce within 25 years. "As women's earnings went up, they were able to set the bar higher because they weren't dependent on marriage for their economic well-being," says Sawhill. "They opted out of marriages that might have been contracted in an era when women had fewer rights and opportunities."

But the divorce rate has steadily declined since the early 1980s, to about 17 new divorces per 1,000 married couples. That's still higher than during the 1950s, but it is now in line with historical trends, according to Stevenson and Wolfers. That could be because the same changes that initially contributed to more divorces and fewer marriages also prevented a number of "bad" marriage matches that would likely have ended in divorce.

The Marriage Gap

The overall trends in marriage, divorce, and childbearing mask significant differences among socioeconomic groups, particularly between the more and less educated. Historically, people without a college degree have been more likely than the college educated to marry, but since World War II the gap has closed, although the patterns differ by gender.

For much of the 20th century, college-educated white women were much less likely to get married than white women with less education. But between 1950 and 1980, the marriage rate for college-educated women increased significantly, according to research by Stevenson and Adam Isen of the U.S. Treasury. Marriage rates for both groups began to decline after 1980, but the decline was larger for less-educated women, shrinking the gap between these two groups.

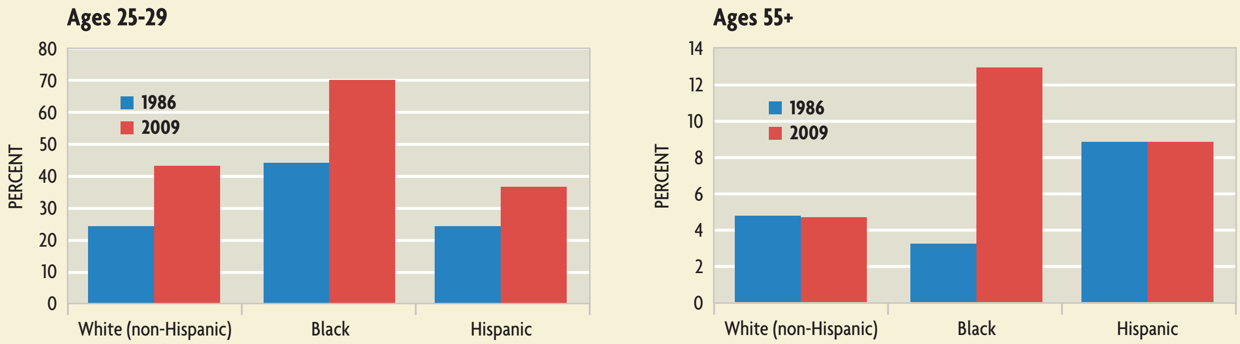
In contrast, a gap has emerged among white men. Historically, men's marriage rates have not differed by education, but starting in 1990 the marriage rate for less-educated men declined much more than the rate for men with a college degree, such that college-educated men are now more likely to marry than those without a degree.

Gaps also have opened up between whites and blacks and between whites and Hispanics. In 1986, 4.8 percent of white, non-Hispanic women aged 55 and older had never been married, according to Census data. Black women were slightly more likely to get married; 3.5 percent had never been married. In 2009, the rate for white women was virtually unchanged, at 4.7 percent. But the number of black women who had never been married by age 55 had increased to 13 percent. Hispanic women also are less likely to marry than white women, although the gap is much smaller (see chart).

Isen and Stevenson's research also suggests that the decline in the divorce rate is concentrated among the college educated. About 37 percent of the marriages of white female college graduates that occurred during the 1970s had ended in divorce 20 years later, compared with 46 percent of marriages for those with some college and 39 percent with a high school education or less. For marriages that occurred during the 1980s, the percent ending in divorce 20 years later had fallen to 31 percent for college graduates but was virtually unchanged for women with less education.

The trend was even more pronounced among white men; the percent of marriages ending in divorce after 20 years fell from 34 percent to 25 percent for the college educated but rose from 39 percent to 44 percent for those with a high school degree or less. Black men and women are more likely than whites to get divorced, but the trends by education are similar. While it's difficult to predict what will happen for

Percent of Women Never Married, 1986 vs. 2009



SOURCE: Kreider, Rose M., and Renee Ellis, "Number, Timing, and Duration of Marriages and Divorces: 2009," U.S. Census Bureau *Household Economic Studies*, May 2011.

the marriages that occurred during the 1990s, the divorce rates after 10 years suggest the divergence by education will continue.

Differences in cohabitation and non-marital childbearing follow similar lines. Women with a high school diploma or less are significantly more likely to cohabit as a first union than women with a college degree, and it's less likely that their cohabitations transition to marriage. They also have children outside of marriage at much higher rates.

In economic terms, marriage trends reflect an increase in "assortative mating," or people marrying people who are similar to them. That increase could have an effect on the level of income inequality. In a 2014 paper, Jeremy Greenwood of the University of Pennsylvania, Nezih Guner of MOVE (a research institute in Barecelona), Georgi Kocharkov of the University of Konstanz (Germany), and Cezar Santos of the School of Post-Graduate Studies in Economics at the Getulio Vargas Foundation (Brazil) found that if married couples in 2005 were matched following the same patterns observed in 1960, the level of income dispersion would drop by more than one-fifth.

Opposites Don't Attract

What's behind the socioeconomic differences in marriage? Some researchers have pointed to declining economic prospects for less-educated men; between 1980 and 2010, the real wages of men with a high school education or less declined by 24 percent, according to research by Sawhill and Joanna Venator, also with the Brookings Institution. Numerous studies have found a positive correlation between men's economic prospects and marriage rates, so as men's wages decline, women might not consider them valuable partners in a marriage. In recent work, Sawhill and Venator found that declining wages can explain about one-quarter of the decline in marriage rates among less-skilled men. "They don't have good jobs, they don't earn enough, and so the women in their networks are taking a pass," says Sawhill.

In some communities, the issue might not be whether the men are marriage material, but whether there are enough men at all. High incarceration rates for black men have significantly skewed the gender ratio, according to research by Wolfers and David Leonhardt and Kevin Quealy of the *New York Times*. In some areas of the country, there are only 60 black men for every 100 black women not in jail. Nationwide, there are 83 black men for every 100 black women. Among whites, there are 99 men for every 100 women.

Another explanation might be that the changing nature of marriage has made it an institution more valuable to people higher up the socioeconomic ladder. Stevenson and Wolfers have proposed a theory of marriage based on "consumption complementarities" rather than Becker's production complementarities. Over time, families on average have seen an increase in leisure and consumption, and many hobbies and activities are more enjoyable with another person. "In our view, the person you want to marry is the person with whom you share interests and passions. At its most simple, this is a theory of love," says Wolfers. But such "hedonic marriage" might offer more to people at the top end of the distribution. "It's a forum for shared passions, and that works when you have the time, money, and energy for sharing."

When marriage was based on production complementarities, it was more likely that opposites would attract. "Back in our grandparents' day, women with graduate degrees had very low marriage rates. If you were looking for a good homemaker, a wife with a master's wasn't that helpful," says Wolfers. "Today, if you're looking to share income and passions with a soul mate, a highly educated woman is incredibly valuable."

The shift to hedonic marriage might also have made the institution more attractive to same-sex couples. In a 2012 article for *Bloomberg View*, Stevenson and Wolfers noted that same-sex relationships are less likely to involve traditional gender roles and separate spheres, limiting the economic gains from the Becker model of marriage.

A model of marriage based on consumption complementarities doesn't necessarily explain why a couple would choose to get married rather than cohabit, since many of the same benefits could be derived from living together.

"There's a strong consensus in economics that much of income inequality is generated by things that happen before people reach the labor market — family, school, neighborhood," says economist Robert Pollak. "Parents' educational attainment is an important component. So these changes in marriage and childbearing patterns are likely to exacerbate income inequality in the next generation."

In a chapter for the 2014 book *Human Capital in History: The American Record*, Shelly Lundberg of the University of California, Santa Barbara and Robert Pollak of Washington University in St. Louis try to explain how marriage today differs economically from cohabiting. They propose that highly educated men and women use marriage as a commitment device to make large investments in children.

In Becker's model, marriage was a long-term commitment that enabled both parties to make specialized household investments — the wife in caring for the home and children and the husband in providing for the family. Although changes in divorce law have made it less costly to exit marriage, divorce still entails more social, legal, and financial costs than ending a cohabiting relationship. As a result, marriage can still function as a long-term commitment device. But today, according to Lundberg and Pollak, the focus of the investment for both husband and wife is children.

For a variety of reasons, including time and resource constraints, cultural norms, or expectations about what the future is likely to hold for a child, parents with different income and education levels might differ in their willingness and ability to make large investments in their children's human capital. That could affect their willingness to enter into a long-term contract — marriage — to facilitate those investments. For couples with low levels of education, Lundberg and Pollak suggested, "a child's limited prospects for upward mobility combined with falling real resources ... precludes an intensive investment strategy for parents and limits the value of marriage and the commitment it implies." In contrast, couples with more education might view marriage as having a higher payoff for their current or future children.

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Is Marriage Good for You?

Beyond the possible implications for income inequality, a large body of research also contends that married people are both happier and healthier than their never-married or divorced peers. For example, research has shown that married men have lower rates of cardiovascular disease, hypertension, depression, and they have better outcomes after a cancer diagnosis. And many studies have found a positive correlation between marriage and life satisfaction, at least in industrialized countries.

Research on marriage is complicated by "selection effects," however — the possibility that people who get married vary in a systematic way from people who don't. Poverty can be a cause of family disruption, not just an effect, and it's possible that healthy, happy people are more likely to get married in the first place, rather than marriage making them that way. Economists and other researchers can employ a variety of techniques to control for such selection bias, and some have concluded there is in fact a causal relationship between marriage and positive outcomes. But others have found that selection plays a large role. In a 2006 article, Alois Stutzer of the University of Basel and Bruno Frey of Zeppelin University Friedrichshafen (Germany) found that happier people are more likely to get married, and that people who get divorced were already less happy when they were newly married or single.

The mere fact that fewer people are getting married could cast doubt on claims about the benefits. "If marriage is really so great for men and women," Pollak asks, "why aren't more people getting married and staying married? Is it just that they don't realize how great it would be? Economists tend to rely on the notion of 'revealed preference': You learn things about people's preferences from watching what they do, and most economists believe that people are reasonably good judges of what's in their best interest."

Adults might be able to make decisions in their own best interest, but what about their children's? Numerous studies suggest that children who grow up in single-parent families have worse economic and social outcomes — such as growing up in poverty, becoming a teen parent, or getting arrested —than children in two-parent families. Such studies also might suffer from selection bias, however. As Sara McLanahan of Princeton University, Laura Tach of Cornell University, and Daniel Schneider of the University of California, Berkeley noted in a recent article, "Family disruption is not random event and ... the characteristics that cause father absence are likely to affect child well-being through other pathways."

In the article, the researchers reviewed 47 papers that used innovative research designs to control for selection bias. The evidence was mixed regarding the effect of father absence on some outcomes, such as adult income or marital status. But they did find evidence that a father's absence has a causal effect on risky behavior such as smoking or becoming a teen parent, the likelihood of graduating from high school, and adult mental health. Still, the magnitude of the effect was much smaller than in traditional studies that did not control for selection effects.

But even if there were conclusive evidence that growing up in a two-parent family causes better outcomes than growing up in a single-parent family, it doesn't necessarily follow that those parents have to be married. "It's stability that matters," says Sawhill. "It just happens to be that for historic and cultural and religious reasons, marriage has been the way we have created that stability."

Still, in recent decades, policymakers have made several attempts to encourage marriage. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996, which reformed the welfare system, offered states cash bonuses for increasing the number of two-parent families, and the Deficit Reduction Act of 2005 authorized $150 million per year for five years for states to conduct marriage education programs and advertising campaigns, among other initiatives. Some marriage advocates have proposed altering the tax code or changing the qualifications for means-tested benefits to eliminate the "marriage penalty" many poor people face. But marriage promotion initiatives appear to have little effect on marriage or divorce rates, and research suggests the effects of tax and benefit changes are likely to be small.

Whether or not it's possible to encourage people to marry, the larger question is whether policy *should* encourage people to marry. Studies that link marriage to positive health and economic outcomes compare the average unmarried person to the average married person. But the more relevant comparison, as Stevenson and Wolfers have noted in their research, would be to someone in the marginal marriage created by policy. "If you ask the question, would someone be happier if they were married, you also have to ask, married to whom?" says Pollak.

The divergence in marriage and divorce rates among socioeconomic groups raises important questions about the long-term consequences for children and the perpetuation of advantage from one generation to the next. But economic, cultural, and technological changes make it seem unlikely, at the moment, that the overall retreat from marriage is going to reverse. What is certain is that the institution will continue to evolve. **EF**

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Economic Brief

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Living Wills for Systemically Important Financial Institutions: Some Expected Benefits and Challenges

By Arantxa Jarque and David A. Price

The Dodd-Frank Act requires systemically important financial institutions to create resolution plans, or "living wills," that bankruptcy courts can follow if these institutions fall into severe financial distress. The plans must set out a path for resolution without public bailouts and with minimal disruption to the financial system. While living wills can, in this way, help to curb the "too big to fail" problem, regulators face a number of challenges in achieving this goal. The authority granted to regulators by the Act, including the power to make systemically important institutions change their structures, offers promising means of addressing these challenges.

When Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act in 2010, the elimination of bailouts for distressed financial institutions was among its goals. One of the Act's measures in this regard was the creation of a new tool—known as resolution plans, or "living wills"—aimed at giving regulators an enhanced understanding of, and increased authority over, the largest and most complex financial institutions. In particular, living wills and their associated regulatory provisions are intended to make these institutions, known as systemically important financial institutions (SIFIs), resolvable without public support if they become financially distressed.

The need to make SIFIs resolvable without public support has its conceptual basis in the idea of commitment. Research has indicated that policymakers can reduce instability in the financial system by making a credible commitment not

the creditors of these institutions to monitor and influence the institution's risk-taking to a greater degree.[1] But given the uncertainty about the costs to the financial system of letting a SIFI fail outright, it is more difficult for policymakers to make such a commitment without a roadmap for winding down a SIFI in an orderly manner if it becomes distressed—that is, a living will.

In practical terms, the provisions of Dodd-Frank on living wills require these firms to produce resolution plans to be followed in the event of severe financial distress. On an annual basis, all SIFIs must submit detailed plans to the Federal Reserve and the Federal Deposit Insurance Corporation (FDIC). With some work back and forth between a SIFI and the agencies, a plan ideally becomes a source of information about the potential consequences of the firm's failure and how to minimize them—although this information will necessarily be subject, in practice,