Empowering Women, Bargaining in Families, and Marriage Markets*

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Bargaining models offer the most promising approach to understanding allocation within marriage and, together with models of marriage market equilibrium, important insights into the determinants of the well-being of men and women.

A typical bargaining model of marriage begins by assuming that each spouse has a utility function that depends only on his or her own consumption. If the spouses fail to reach agreement, both husband and wife receive the utilities associated with a default outcome. The utilities associated with the default outcome are usually described as the "threat point." In some models the threat point is interpreted as divorce, in others as a noncooperative equilibrium within the marriage. Individual rationality implies that neither spouse would accept an agreement implying a lower utility than he or she would receive at the threat point.

The Nash bargaining model provides the leading solution concept in cooperative bargaining models of marriage. The utilities received by husband and wife in the Nash bargaining solution depend on the threat point; the higher a spouse's utility at the threat point, the higher the utility that spouse will receive in the Nash bargaining solution. This dependence is a critical empirical implication of Nash bargaining models: family demands and family behavior depend not only on prices and total family resources, but also on the threat point. Thus, the precise empirical implications of the Nash bargaining model depend on whether the threat point corresponds to divorce, as in the "divorce-threat" models of Manser and Brown [1980] and McElroy and Horney [1981], or to a noncooperative outcome within the marriage, as in the "separate spheres" model of Lundberg and Pollak [1993].

In divorce threat bargaining models, the threat point is the maximal level of utility attainable outside the marriage. If divorcing spouses will maintain ownership of income streams each received separately within marriage, then the behavior implied by marital bargaining will depend not only on total family income but also on the fraction of that income received by each spouse. The threat point also depends on what McElroy [1990] calls "extrahousehold environmental parameters," or EEPs which affect the well-being of divorced men and women but do not directly affect marital utility. Folbre [1997] calls these "gender-specific environmental parameters," or GEPs. EEPs or GEPs include conditions in the remarriage market, and the public and private resources available to divorced men and women. The family behavior implied by divorce-threat marital bargaining will, of course, depend upon these parameters.

In the "separate spheres" bargaining model of Lundberg and Pollak [1993], the threat point corresponds to an inefficient noncooperative equilibrium within marriage rather than to divorce. In some societies divorce is not possible and, even in societies in which divorce is possible, a "noncooperative marriage" in which the spouses receive some benefits due to joint consumption may be a more plausible threat than divorce in day-to-day marital bargaining. Bergstrom [1996, p. 1926] felicitously characterizes the noncooperative marriage as "harsh words and burnt toast" but violence or threats of violence also may play a part.

In both the divorce threat and separate spheres models, Nash bargaining may imply violations of "income pooling." Bargained outcomes depend upon the threat point, and the threat point may depend on income controlled by husband and wife as well as on public policy, including tax, transfer, and welfare policy. As a thought experiment, consider a government child allowance program, that is, a program of government transfer payments to parents that is conditioned on the number of children in the family, but not on family income. Suppose that in the event of divorce, the mother always becomes the custodial parent and receives the child allowance. Suppose that the child allowance program changes from one that pays husbands to one that pays wives in two-parent families. A model such as Becker's "altruist model" (see Pollak [2003]) that predicts income pooling predicts that the change in child allowances, because it leaves the resources of two-parent families unchanged, will have no effect on family behavior.

The ideal test of the pooling hypothesis would be based on an experiment in which some husbands and some wives are randomly selected to receive income transfers. A less-than-ideal test could be based on a "natural experiment" in which some husbands or some wives receive exogenous
income transfers. Lundberg, Pollak, and Wales [1997] examine the effects of such a natural experiment -- a policy change in the United Kingdom in the late 1970s that transferred a substantial child allowance from husbands to wives. They find strong evidence that a shift toward relatively greater expenditures on women's clothing and children's clothing coincided with this policy change, and they interpret this as a rejection of the income pooling hypothesis.

The marriage market determines both who marries and who marries whom. Any analysis of allocation and distribution within marriage that ignores the marriage market and implicitly assumes a random assignment of individuals to marriage or to each other is likely to be misleading. The "marriage market" metaphor is useful because it suggests the notions of competition and equilibrium and, hence, the applicability of the tools of economics to the analysis of marriage markets. The extent to which the marriage market determines distribution within particular marriages depends crucially on the ability of prospective spouses to make binding agreements in the marriage market. At one extreme, if binding, fully contingent contracts regarding marital allocation and distribution can be made before marriage, then allocation and distribution within marriage simply implement agreements previously made in the marriage market so there is no scope for bargaining within marriage. At the other extreme, if no binding agreements can be made in the marriage market, then husbands and wives must bargain within marriage over the division of any surplus. In what follows, I assume that prospective spouses cannot make binding agreements.

Prospective spouses understand that marriage commits them to playing a particular bargaining game with a particular partner. Policy changes that transfer control over resources from husbands to wives will make marriage relatively more attractive to women and less attractive to men. Lundberg and Pollak [1993] show that in the long run such policy changes can alter the equilibrium number of marriages, the equilibrium matching, and the distribution of marital surpluses.

The possibility of divorce limits the scope for bargaining within marriage by placing bounds on the distributions that can emerge as equilibria. These "divorce bounds" depend upon the costs of divorce, including the psychic costs, the public and private resources available to divorced individuals, and conditions in the remarriage market. They reflect McElroy's "extrahousehold environmental parameters" (EEPs) or Folbre's "gender-specific environmental parameters" (GEPs), but they are to some degree idiosyncratic and reflect individual heterogeneity. Individual rationality ensures that no individual will accept less than he or she would receive in the next best alternative and implies that the divorce bounds apply to all bargaining models, cooperative and noncooperative.

The roles of divorce and of marriage markets in determining allocation and distribution within marriage exemplify the importance of social norms and institutions. The legal availability and social acceptability of divorce, for example, determine the location of the divorce bounds and the implications of divorce as a threat point. Similarly, the acceptability of nonmarriage and the social acceptability and economic consequences of nonmarital fertility affect the equilibrium in the marriage market. With few exceptions, economists have paid little attention to nonmarital fertility and its implications for the marriage market.

What is the short-run effect of empowering women (i.e., the effect within ongoing marriages)? If empowering women is achieved by assigning to the wife control over resources previously controlled by the husband with no increase in the couple's total resources, then empowerment will make wives better off and husbands worse off. If empowerment increases the couple's total resources as well as the wife's bargaining power, then wives will be made better off while the effect on husbands' well-being is indeterminant.

What is the long-run effect of empowering women (i.e., the effect on new marriages)? Because prospective spouses cannot make binding agreements in the marriage market regarding allocation within marriage, empowering women will affect the willingness of women and men to enter marriage: more women and fewer men will want to marry. Although the long-run effects of empowerment are likely to differ from the short-run effects, the magnitude and even the direction of the difference cannot be predicted without specifying "supply" and "demand" in the marriage market. Making very simple assumptions about the marriage market, Lundberg and Pollak [1993] show that whether such a change results in more or in fewer marriages depends on whether the
binding constraint that limits the number of marriages is the willingness of women to marry or the willingness of men marry.

The short-run effects that operate through bargaining within existing marriages are easier to analyze than the long-run effects that operate through the marriage market. But in the long run, empowering women may affect marriage market equilibrium -- who marries, and who marries whom -- and have implications for marital fertility, nonmarital fertility, and the well-being of children. The long-run marriage market effects may be more important than the short-run bargaining effects for the well-being of men and women.
REFERENCES

* This paper draws heavily on Lundberg and Pollak [2002].


