

Collateralized Marriage[†]

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Marriage rates have become increasingly stratified by homeownership. We investigate this in a household model where investments in public goods reduce future earnings and, thus, divorce risk creates inefficiencies. Access to a joint savings technology, like a house, collateralizes marriage, providing insurance to the lower-earning partner and increasing specialization, public goods, and value from marriage. We use idiosyncratic variation in housing prices to show that homeownership access indeed leads to greater specialization. The model also predicts that policies that erode the marriage contract in other ways will make wealth a more important determinant of marriage, which we confirm empirically. (JEL D12, D86, G51, H41, J12, R31)

Marriage has declined as the central organizing structure of the American family. As more individuals choose nonmarital fertility, one might wonder whether marriage is too strong a contract, leaving people seeking a weaker alternative. Yet marriage rates have remained persistently high for homeowners, leading to a puzzle as to why the value of marriage and homeownership may have become more intertwined over time. We theoretically and empirically study this puzzle by proposing that homeownership provides extra security—collateral—in the marriage contract, and that the value of this security has increased as the marriage contract has otherwise eroded.

We present a model of the household where investments in public goods come at the cost of future earnings. In the model, a couple faces a choice of how much each partner should invest in a public good at the expense of individual human capital in the next period.

As the two partners' costs of investment are not equal, they will optimally choose some specialization, which has long been thought to be one of the advantages of

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marriage, and persists empirically despite the rise of two-earning households (see, e.g., Pollak 2011).¹

Under complete marital contracting, a partner specializing in home production receives the assurance that her consumption level will be protected even if the relationship sours. However, with the introduction of unilateral divorce, the inability to commit to a postdivorce allocation causes the lower-earning partner's consumption to fall in the case of divorce (as shown by Foerster 2020 and Fernandez and Wong 2017), which creates a higher marginal cost of investment. This, in turn, will create inefficiently low specialization, as shown in theoretical (Mazzocco, Ruiz, and Yamaguchi 2014; Chiappori and Mazzocco 2017) and empirical (Bronson 2014; Stevenson 2008; Fernandez and Wong 2011; Stevenson 2007; Reynoso 2017) results that couples facing divorce risk fall short of efficient decision-making. The resulting higher cost of public good creation will lead to a lower value of marriage.²

What distinguishes our model from prior work is the idea that collateralization, in the form of a joint asset such as a house, can provide a commitment device that substitutes for the lost contracting security of marriage. Because the marriage contract uniquely specifies that joint assets are to be divided at the time of divorce, a couple with access to joint savings technology such as homeownership can provide some insurance to the lower-earning partner through asset division. This paper brings the positive role of a storage technology in the more general problem of limited commitment as discussed by Ábrahám and Laczó (2018) to the domain of family economics. Collateralization will decrease the incomplete contracting distortion and, thus, increase specialization and investment in public goods.

Collateralized marriages also have increased stability, which further decreases the costs of specialization. Couples able to access collateralization therefore experience a higher value of marriage.

The model produces several testable implications. First, greater access to collateralization, through easier home purchase, should increase specialization. We may also expect couples with greater collateralization access to invest more in public goods and be more stable. Second, because investment in joint assets such as a house require wealth, the model predicts that individuals with higher assets will select into marriage more, and this pattern will intensify as the marriage and nonmarital fertility contracts become more similar in ways other than asset division.

To test the first implication, we use idiosyncratic variation in housing prices around the time of marriage as a proxy for access to homeownership, since purchasing a home requires a down payment, which increases in home price. The implication from our model is that lower housing prices around the time of marriage should therefore lead to more specialization, through the channel of collateralization, and thus higher housing prices will be linked to less specialization. We use data from the American Community Survey (ACS) merged with Federal Housing Finance Agency data on historical housing prices, and test the impact of homeownership

¹ Even beyond children, the ability to sacrifice one partner's earning capacity for the other may be an important source of value in marriage, such as location choices for one partner's career.

² This is an application of the general result that limited commitment reduces risk sharing between agents; see Kocherlakota (1996).

access on men's versus women's later labor supply. By focusing on outcomes for which the effects for women can be compared to men, we essentially create a triple-difference specification, which mitigates concerns that other factors correlated with home prices can be driving the results (while women's labor supply could be more or less elastic to, for example, wealth effects, there is no example in the literature of opposing effects (McClelland and Mok 2012)).

To address the possibility of selection into time or place of marriage, or whether to marry at all, based on favorable housing prices we use housing prices at age 25, the modal age at marriage, in the state of birth. To deal with the possibility of simultaneous causality between housing prices and other local economic factors, or that local housing prices are themselves driven by locally changing tastes for marriage and specialization, we additionally present an instrumental variables strategy, following Palmer (2015). The IV strategy exploits the fact that states exhibit persistent patterns of housing price volatility, either amplifying or dampening national trends. Thus, one can use this historical multiplier together with the national price trend to produce an instrument for local housing prices that is not actually driven by local time-varying factors.

We show that idiosyncratic variation in housing prices at age 25 creates persistent variation in homeownership that can be used for identification. We find a stronger first stage on homeownership with the instrument, since housing prices tend to rise when the economy is also strong, meaning correlated economic factors dampen the effect on homeownership. We then show that higher housing prices, and thus lower homeownership, is tied to less household specialization, with women working more and men working less when they were at peak marriage age in a high-housing-price environment, in both the OLS and IV specifications.

Wages follow the same pattern, with men's earnings responding negatively to more difficult homeownership, while women's increase, directly linking to our model's predictions for second-period earnings.³

We perform additional analysis to further pin down the mechanism of our effect and rule out alternative channels. To demonstrate that the reallocated labor force time is tied to home production, we use American Time Use Survey (ATUS) data on time spent in work, leisure, and home production. We demonstrate that women with less access to homeownership reallocate substantial minutes from home production to work, with no change in leisure. This not only directly ties to our model's predicted effects on public good investments but also assists in ruling out increases in bargaining power or income effects as possible channels, since in both cases we would expect leisure to shift. We further rule out alternative explanations by showing that results are similar among couples who remained in the central business district, and are thus not driven by commuting. Moreover, the effect is absent for renters and childless couples, reversed for couples where the woman outearns the man, and stronger for college-educated individuals, who may have more at risk from

³This may help explain the central importance of home purchases to American families, shown by Goodman and Mayer (2018), and their substantial role in wealth held by middle-income Americans (Wolff 2012). This apparent overinvestment in housing has been explored previously (e.g., Henderson and Ioannides 1983; Fratantoni 1998; Flavin and Yamashita 2002), but we provide a new explanation that the "at-risk" asset provides value *ex ante* by reducing the cost of home production investments that benefit both spouses.

lost human capital due to specialization. Consistent with our model, we also find evidence of lower public good provision (as proxied by number of children and educational achievements) and higher divorce rates with more difficult homeownership.

We then turn to examining whether the value of collateralization has led to an increased tie between asset ownership and marriage as the marriage contract has been eroded in other ways. We use data on premarital assets from the Panel Study of Income Dynamics (PSID) and the Survey of Income and Program Participation (SIPP), combined with state-year variation in two policies that made marriage and nonmarital fertility contractually more similar: first, the introduction of unilateral divorce, which made the intertemporal commitment offered by marriage imperfect and, second, the strengthening of child support enforcement for nonmarital relationships. We regress the marriage propensity over time on an individual's asset holding interacted with the policy introductions. Our results show that an individual's wealth became a much stronger predictor of marriage rates as the marriage contract was weakened relative to nonmarital fertility. In addition to confirming our model, this suggests an increasing role of asset holding in determining who can access the benefits of marriage for supporting optimal specialization and child investment. This is of crucial importance because there is currently a policy debate as to whether wealth accumulation among a small portion of society has a deleterious effect, and what policy instruments should be used to correct it (Saez and Zucman 2016; Alvaredo et al. 2017; Jakobsen et al. 2020). If wealth determines access to a more advantageous marriage contract, which allows for greater specialization and thus more investment in children, it could also impact the intergenerational transmission of poverty.

While it is well established that children of married parents receive more investment than those of unmarried parents (Ginther and Pollak 2004; McLanahan and Sandefur 1994), our model suggests that in addition to likely selection effects, marriage itself may causally induce higher public good provision through greater contract strength, and this benefit is not equally available to all. While Lundberg, Pollak, and Stearns (2016) and Lundberg and Pollak (2015) speculated that the growing socioeconomic stratification in marriage may be due to it retaining value for those who need stronger commitment due to preferences for investing in children, our model suggests that contract access may be an underlying explanatory factor.

Our paper brings existing literature on the role of assets as collateral in contracts to the household domain. It is well understood that collateral in market transactions has the power to increase efficiency (e.g., by reducing inefficient credit rationing—see Steijvers and Voordeckers 2009 for a summary of literature). Our paper extends the work of others on asset division in marriage (see, for example, Brinig 1990; Ambrus, Field, and Torero 2010) to explicitly discuss its role in allowing specialization and, therefore, increasing *ex ante* the value of marriage.⁴ While Chiappori and Mazzocco (2017) discuss the fact that transferring resources to the spouse specializing in home production will lead to more specialization and

⁴Most notably, this has been discussed by Voena (2015), who shows that unilateral divorce has differential impact on existing marriages depending on the property division regime.

marriage gains, how collateralization through homeownership enables this has not been shown before.⁵

Our analysis has some limitations. First, it specifically focuses on US marriage and divorce law, and thus may not be generalizable to other settings, where both marriage law and social insurance substitutes may differ substantially (see, for example, Frémeaux and Leturcq 2018 and Bayot and Voena 2015). Second, our model applies to couples who may have some gains to specialization, and wish to invest in public goods. Part of the disappearance of marriage may be due to the fact that specialization is less sought by couples, although studies have suggested that US women may not properly anticipate the type of specialized pattern they tend to face once married (Kuziemko et al. 2018), which would make a collateralized contract ex post more attractive.

The rest of this paper is organized as follows. Section I presents stylized facts on the increasing tie between marriage and homeownership. We present the model and its predictions in Section II. We then demonstrate that access to a more collateralized version of the marriage contract alters the behavior of married couples in accordance to our framework in Section III, and demonstrate that the role of assets in determining selection into marriage has increased as marriage and nonmarital fertility have become more similar in Section IV. Section V concludes.

I. The Connection between Marriage and Homeownership

Marriage rates have been declining and rates of nonmarital fertility rising over time in the United States. Using data from the US Census, we show in Figure 1 that the decline in marriage is driven by those that rent homes, with marriage rates for homeowners remaining high. In the early part of the twentieth century, there was in fact no relationship between homeownership and marriage rates, whereas there is quite a strong relationship today. This suggests that either the value of homeownership is higher in marriage or the value of marriage is higher with homeownership, and that this is a relatively recent phenomenon. Naturally, having positive assets is a key predictor of being able to purchase a home, and Lafortune and Low (2017) show that marriage is also highly related to assets, even after controlling for other factors like education, income, and race, and despite divorce being complicated by the presence of assets. In fact, recent news and policy reports have speculated that marriage is becoming a “luxury good.”⁶

The evolution of the marriage contract provides some hints as to what may have changed over time. In Table 1, we can see that prior to the 1970s, the marriage contract offered many things that nonmarital fertility did not, including parental

⁵In terms of housing as a marital asset specifically, Farnham, Schmidt, and Sevak (2011) show that higher house prices make marriages less stable, while Lagomarsino and Rossi (2017) show that a lottery that provides homes counterintuitively increases reported domestic violence. Wei and Zhang (2011) and Wei, Zhang, and Liu (2012) document the role of homeownership as a precursor to marriage in China.

⁶“Affluent Americans Still Say ‘I Do.’ More in the Middle Class Don’t,” *Wall Street Journal*, March 8, 2020, (<https://www.wsj.com/articles/affluent-americans-still-say-i-do-its-the-middle-class-that-does-not-11583691336>) and “Middle Class Marriage Is Declining, and Likely Deepening Inequality,” Brookings Institute, March 11, 2020 (<https://www.brookings.edu/research/middle-class-marriage-is-declining-and-likely-deepening-inequality/>). This is also consistent with findings in sociology literature of a relationship between wealth and marriage (Schneider 2011).

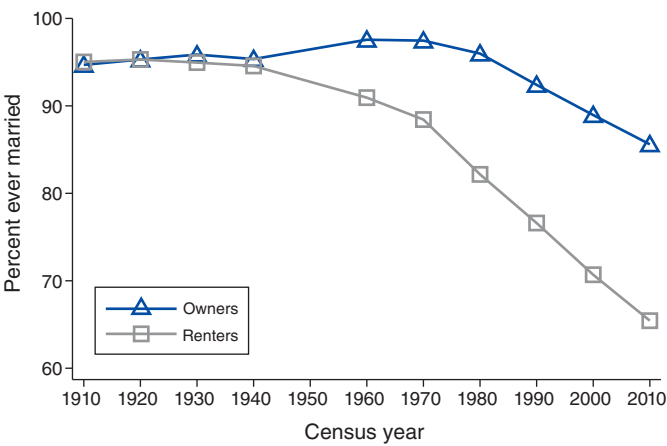


FIGURE 1. RATES OF EVER MARRIED BY HOMEOWNERSHIP STATUS

Notes: Rates of individuals age 30–50 ever being married by whether they live in an owned or rented home, from US census data from 1910 to 2010. Homeownership is measured for the household head rather than the individual respondent.

TABLE 1—CONVERGENCE BETWEEN MARRIAGE AND NONMARITAL FERTILITY (NMF) CONTRACT

	Pre-1970		Today	
	Marriage	NMF	Marriage	NMF
Mutual consent to separate required	✓			
Income sharing upon separation	✓		✓	✓
Parental rights for father	✓		✓	✓
Asset division upon separation	✓		✓	

Notes: Unilateral separation from marriage was introduced at the state level in the 1960s and 1970s (see Voena 2015). Parental rights for nonmarital fathers and income sharing (child support) were introduced in the 1990s as part of welfare reform (see Rossin-Slater 2016).

rights and responsibilities for fathers, income sharing upon separation, a need for mutual agreement to separate, and asset division upon separation. With the introduction of unilateral divorce in the 1970s and of parental rights and responsibilities for nonmarital fathers in the 1990s, the marriage and nonmarital fertility contracts became more similar in all regards except for the presumed “jointness,” and thus division, of any assets acquired during the relationship.⁷

⁷While many authors have explored the reasons for declining marriage rates and accompanying increases in nonmarital fertility (Akerlof, Yellen, and Katz 1996; Mechoulan 2011; Duncan and Hoffman 1990; Rosenzweig 1999; Nechyba 2001; Neal 2004), ours is the first to explore the role of assets in substituting for other legal protections. We also relate to literature looking at the strengthening of nonmarital contracting, including child support enforcement in the United States (Aizer and McLanahan 2005; Tannenbaum 2015; Rossin-Slater 2017; Brown, Flinn, and Mullins 2015), common law marriage (Grossbard and Vernon 2015, 2014), and protections for cohabitants in other countries (Chiappori et al. 2017; Chigavazira et al. 2019). Other work focusing on the broader effects of unilateral divorce include Friedberg (1998); Ananat and Michaels (2008); Holden and Smock (1991); Gruber (2004); Cáceres-Delpiano and Giolito (2008); and Wolfers (2006). Mechoulan (2005) summarizes the theoretical approaches to divorce.

Family homes are likely to have an especially high commitment value to couples, as the family home is more often allocated to the mother in divorce proceedings, as it tends to accompany physical custody of children, irrespective of the specific legal regime (Weitzman 1981).⁸ The mother may additionally be granted usage rights of the home for some period of time, even if it is to be equitably divided upon sale. Moreover, whereas other forms of savings can be hidden or liquidated before divorce, homes are observable and illiquid. Because the marriage contract will treat mortgage payments made from income as joint property, investing in a family home guarantees that unequal earnings will be contributing toward a shared, and ultimately divisible, asset.⁹ Alternatives—e.g., divorce insurance—are scant since private markets would be riddled with private information problems.¹⁰ Moreover, housing has the advantage of offering other useful services while also being ingrained in US culture—a part of the “American Dream” (Goodman and Mayer 2018). The centrality of homeownership to American marriage and divorce “traditions” is demonstrated by a quote attributed to various celebrities: “Instead of getting married again, I’m going to find a woman I don’t like and just *give* her a house.”¹¹

Figure 2 further demonstrates the link between homeownership and marriage by examining homeownership rates per four-month SIPP period for men aged 21–35 around the time that they marry or first have children. Home acquisition rates spike precipitously for those in the period immediately following marriage, going from around 25 percent homeownership to 50 percent within 2 years. For a different life event, the birth of a first child, we see no such spike in home acquisition. Rather than acquiring a home to accommodate a growing family, we see that individuals in fact generally have high rates of homeownership *before* having children. When we specifically look at those who have a first child outside of marriage, nonmarital fertility, we see low rates of homeownership that do not increase after the birth of a child. This is suggestive evidence that the contract of marriage and homeownership are closely intertwined, and means that differential access to homeownership at the time of marriage may have long-lasting effects.

However, just as Figure 1 demonstrates that only recently has homeownership become strongly predictive of marriage, it is also the case that this tight association between marriage and becoming a homeowner is a relatively recent phenomenon. Figure 3 shows the homeownership rates for young married couples (18–30) from 1960 to 2000. Rates of ownership increased from 40 percent in 1960 to 54 percent in 1980, during the period when divorce was being liberalized and therefore when the need for “collateral” in a now-weakened contract was heightened. Meanwhile, the ownership rates for singles stayed constant. In other words, young couples

⁸ And specialization may strengthen the chance of this allocation (Wong 2023).

⁹ Note that this does not mean that cohabiting couples cannot purchase a home jointly, but the equity each puts in remains their own property. Home purchase cannot be used to bind one member of the couple’s resources as joint property. In marriage, even if one spouse pays for every single mortgage payment, the home is still joint property.

¹⁰ Divorce insurance would suffer from clear adverse selection and moral hazard problems. Joint annuities could be used for this purpose but are also not highly present in the market due to imperfect information issues. Prenuptial agreements are complex and sometimes thrown away by divorce courts, especially when they stray too far from what one is legally entitled to.

¹¹ Most reliably attributed to American humorist Lewis Gizzard (Sherrin 2008), the quote has also been linked to Rod Stewart and Willie Nelson.

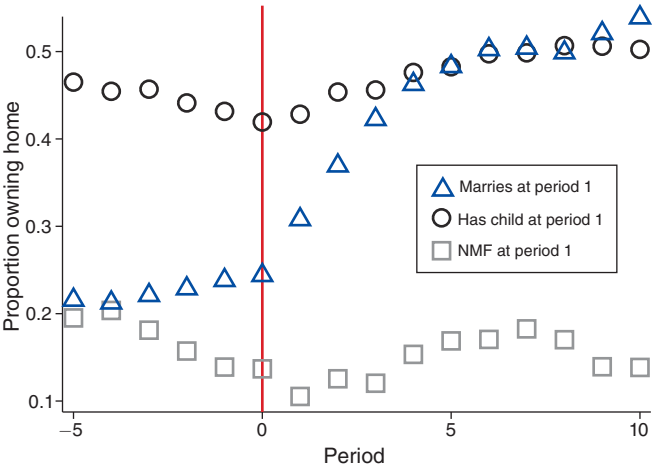


FIGURE 2. ASSOCIATION BETWEEN MARRIAGE AND HOME PURCHASE (COMPARED TO FIRST BIRTHS)

Notes: Data use the 2008 SIPP (as this dataset has 16 waves, versus more recent surveys that follow an annual structure). It restricts the sample to men who enter the first wave without a previous life event (marriage or first birth) and for whom we observe such a life event during the subsequent 15 waves, with each period being 4 months. The wave of the event is normalized to 1, and then average homeownership is charted in each wave before and after that point. “NMF” indicates nonmarital fertility, which here is individuals who have a child but do not marry over the course of the data.

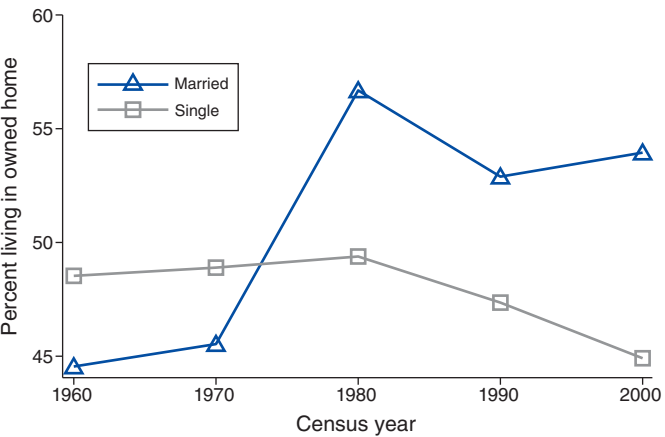


FIGURE 3. RATES OF LIVING IN OWNED HOME OVER TIME, BY MARITAL STATUS, AGES 18–30

Notes: Rates of individuals living in a home that is owned (or being purchased) in the US census from 1960 to 2000. Singles includes all unmarried (even if cohabiting). Homeownership is measured for the household head, not necessarily the individual in question. We include nonheads to ensure that selection between head status is not driving the results.

appeared to seek homeownership increasingly as the security of the marriage contract declined, suggesting an active demand for this source of collateral.

Together, these stylized facts demonstrate that homeownership appears to play an important role as “collateral” in marriage, and that its importance has increased over

time as the contracting security of marriage has otherwise eroded. We next present a theoretical model that can explain the role of collateralization in increasing the value of marriage, and provide testable predictions.

II. Model

We present a collective model of marriage with a public good in which both parents can invest, at a cost to their future earning potential. Standard household theory predicts that when partners cannot commit to allocations upon divorce, household specialization will be reduced, as will investments in public goods.

We introduce the possibility of a savings vehicle whose returns are divided more equally than income upon divorce. Access to this product reduces the inefficient investment problem since it offers insurance to the partner who makes the greater investment as well as reduces the other partner's incentives for divorce. This increases household specialization, raises public good creation, and in turn raises the value of marriage.

A. Setup

A couple lives for two periods and cares about private consumption (c), over which they have concave utility, and a public good (Q). Utility for partner k in period t is thus of the form $U_{kt} = u(c_{kt}) + Q$.

Let Ω_i represent the earnings potential of the lower-earning partner and Ω_j represent the earnings potential of the higher-earning partner. For convenience, we will call the higher-earning partner, j , the male partner or husband, and call the lower-earning partner, i , the female partner or wife, matching the empirical fact that women tend to be lower earners on average. However, one can think of the market earning capacity as being adjusted for home productivity, as we discuss below.¹²

In the first period, couples select the level of time investment for each partner to make in the public good, τ_i and $\tau_j \in [0, 1]$. One example of a household public good would be children, but there can be other household public goods as well. These investments come at the cost of future earnings. We assume that partners are restricted to spend a unit of time investing in either work or the public good. Thus, partner k 's second-period earnings will be $\Omega_k(1 - \tau_k)$. As a result, the higher that the level of investment is, the higher the utility that partners derive from the public good, but the lower the consumption possibilities in the second period.¹³

¹²Our theoretical analysis can apply to any couple with a difference in relative earning power. However, our empirical estimations will follow the statistics that women tend to be the lower-earning partners on average, which is true for 75 percent of couples in our sample. In addition to traditional gender norms, this may follow from the fact that pregnancy, birth, and breastfeeding all must necessarily be done by the mother, and therefore mothers typically have a higher household productivity in these aspects, although the gender wage gap also persists for adoptive parents (Kleven, Landais, and Sogaard 2020). A simultaneous convex return to hours in the labor market (Cortés and Pan 2019; Gicheva 2013; Kuhn and Lozano 2008; Goldin 2014) and high returns to high-skilled parental time investments in children (Del Boca, Flinn, and Wiswall 2013; Doepke and Zilibotti 2017; Ramey and Ramey 2010) mean that specialization can be optimal even in couples who can afford to outsource many household tasks.

¹³Rather than focusing on the choice between labor and leisure (e.g., Chiappori, Fortin, and Lacroix 2002; Voena 2015; and Chiappori and Orefice 2008), our model emphasizes the productive value of time away from work for creating household public goods. Our results would still go through if we allowed men and women to split their

The function $Q(\tau_i, \tau_j)$ is concave in both arguments and, for simplicity, is symmetric in τ_i and τ_j and has the property that $\partial Q / \partial \tau_k \rightarrow \infty$ as $\tau_k \rightarrow 0$. These restrictions mean that neither partner has an absolute advantage in investing, and both partners would find it optimal to invest at least a small amount (these restrictions can be relaxed without affecting our results). The unequal earnings capacity is isomorphic to an unequal return to investing in public goods, and thus one should think of the partner with the lower Ω as the partner with the comparative advantage in household investments, and the partner with the higher Ω as the partner with the comparative advantage in market work. It is also possible for women's smaller Ω to result from labor market discrimination.

In the first period, couples earn only fraction μ of their Ω , representing income growth over time. However, they also have access to assets, $A_i + A_j = A$. They can transfer resources from the first to the second period through savings, s , with a return of r .

Utility in the first period is certain, while utility of each partner in the second period if they remain married is subject to a common utility shock, ϕ , centered around zero, whose cumulative distribution will be denoted $L(\phi)$. Bad shocks may cause individuals to prefer dissolving the relationship, in which case they avoid the shock. Assuming that divorce does not destroy any value for the couple, Pareto separation occurs whenever $\phi < 0$.

Partners cannot commit to a postdivorce division of resources. This is equivalent to assuming unilateral consent to divorce. Although there may be some income sharing mandated by the court in divorce, we assume it will not make up for the full income sharing within marriage (Del Boca and Flinn 1995). Thus, in the case of divorce, each partner will consume a share $\beta > 1/2$ of their own income and $1 - \beta < 1/2$ of the other party's income, making consumption when divorced more reliant on one's own earnings. Additionally, savings will be divided with some proportion $\delta \leq 1 - \beta$ going to the lower-earning partner and $1 - \delta$ going to the higher-earning partner. Thus, we assume for now that assets are less equally divided upon divorce than income to illustrate the impact of imperfect commitment.

Because of this imperfect commitment, there is a range of $\bar{\phi} > \phi > 0$ over which the richer partner will want to separate but their partner will not. In that case, if the lower-income partner wishes to remain married, she will need to offer her partner the utility he would obtain in divorce. We call this state "renegotiation."

Consumption whenever $\phi < \bar{\phi}$ will deviate from the married values. Specifically, when divorced, $\phi < 0$, it will be c_{2i}^d and c_{2j}^d above, and when consumption is renegotiated but divorce avoided, consumption will be c'_{2i} and c'_{2j} , where $u(c'_{2j}(\phi)) = u(c_{2j}^d) - \phi$. The expected utility in the second period is a weighted average of three scenarios:

$$(1) \quad E[u(c_{2i})] = \underbrace{(1 - \bar{p})(u(c_{2i}^m))}_{\text{marriage}} + \underbrace{\int_0^{\bar{\phi}} (u(c'_{2i}))l(\phi)d\phi}_{\text{renegotiation}} + \underbrace{p(u(c_{2i}^d))}_{\text{divorce}},$$

time between labor, leisure, and investment—the key is simply that some time is spent on the creation of public goods, which is supported by time-use data showing that for married women with children, nonlabor hours are split roughly equally between leisure and investment in public goods.

where $\bar{p} = \Pr(\phi < \bar{\phi})$ and $p = \Pr(\phi < 0)$.

Individual k 's overall utility is thus

$$U_k = u(c_{1k}) + E[u(c_{2k})] + (1 - p)E[\phi | \phi > 0] + 2Q(\tau_i, \tau_j).$$

The public good function Q is multiplied by two since parents enjoy the public good in both periods.¹⁴

We assume that a couple maximizes the sum of their utilities, or joint household production, over the choice variables of husband's and wife's investments in the public good and savings.¹⁵

The literature has already established that under the inability to commit to postdivorce allocations, specialization and investment in public goods will be lower than optimal. If allocations postdivorce were guaranteed to be the same as in marriage, the ratio of their marginal costs of investment will be equal to their relative market productivities, Ω_j/Ω_i . The unequal sharing in the second period adds an additional cost to the lower-earning partner's investment in the divorced state, one of a higher marginal utility of consumption. Even without divorce, if the higher-earning partner desires separation, sharing will become distorted in order to maintain the relationship, again creating a higher marginal utility of consumption—and, thus, cost of investment—for the lower-earning partner than in the first best. Thus, specialization will be distorted, with the higher-earning partner providing more investment and the lower-earning partner providing less investment than optimal, and as a result, investment in public goods will be lower as well, since the couple cannot use the lowest-cost means of producing public goods. The formal demonstration of this can be found in online Appendix A.1.

B. Commitment Technology

We now introduce a commitment technology that allows savings to be shared more favorably to the lower-earning partner than second-period income. Specifically, let the savings in that vehicle be divided such that the lower-earning partner receives a share $\alpha > 1 - \beta$ of those savings. This correlates to the special status in the marriage contract given to assets accumulated during the marriage. Upon divorce, they are treated as *joint* property, because marriage as a legal contract rests on the presumption of division of labor and, thus, shared production.¹⁶ Under perfect commitment, this technology would have no effect on decisions. However, under imperfect commitment, we will show that this alters public good investment decisions.

¹⁴The exact assumption as to when the public good is enjoyed is irrelevant to our results.

¹⁵This is isomorphic to a collective model with symmetric weights, and our conclusions would also hold for unequal weights, as long as consumption is shared more equally in marriage than is mandated in divorce. Our predictions would also go through with private decision-making, as we further discuss in Section III E.

¹⁶Joint assets are to be divided either evenly (in community property states) or equitably (Kay 2000) upon divorce. As one illustration, if a husband is the sole earner and therefore pays every single mortgage payment on the family home, these payments nonetheless make up a joint asset that will be divided at the time of divorce.

In online Appendix Section A.2, we show that a couple will always want to put all their savings into this technology. The intuition for this result is that with perfect commitment, the couple chooses equal sharing of consumption to maximize joint utility. Thus, any asset sharing that moves the couple closer to this division is joint utility increasing, and thus the couple will receive more value from saved dollars that are shared more favorably to the lower-earning partner, up to the point at which that sharing replicates the full-commitment division of equal consumption.

PROPOSITION 1: *Under imperfect commitment, if a couple has access to a savings vehicle through which savings are divided more favorably to the lower-earning partner than is income, they will have more specialization within the household than couples without access to that vehicle for high enough values of α . Public goods will be larger and the relationship will be more stable.*

PROOF:

What determines specialization is the ratio of the marginal costs of investment, given by

$$\frac{\Omega_i \left\{ (1 - \bar{p})u'(c_2) + p[\beta u'(c_{2i}^d) + (1 - \beta)u'(c_{2j}^d)] + \int_0^{\bar{\phi}} [\gamma_\phi u'(c_{2i}^j) + (1 - \gamma_\phi)u'(c_{2j}^j)] l(\phi) d\phi \right\}}{\Omega_j \left\{ (1 - \bar{p})u'(c_2) + p[\beta u'(c_{2j}^d) + (1 - \beta)u'(c_{2i}^d)] + \int_0^{\bar{\phi}} [\gamma_\phi u'(c_{2j}^j) + (1 - \gamma_\phi)u'(c_{2i}^j)] l(\phi) d\phi \right\}}.$$

If savings were held constant, it is easy to show that the above expression would be closer to the optimal specialization of Ω_i/Ω_j when having access to the α vehicle, because in the divorced or renegotiated state, the lower-earning partner's consumption would increase, while the higher-earning partner's would decrease. It would also make renegotiation less probable, positioning the ratio of marginal costs closer to the full commitment case.

Thus, to prove that specialization increases with α sharing, we only need to show that savings respond in a way that does not undo these results, which is shown in the extended proof in online Appendix A.

Increased specialization will increase Q , the public good investment, since the burden of the investment will now lay less heavily on the higher-cost partner and more on the low-cost partner. Finally, relationships will be renegotiated less often, since consumption in the divorced state for the high-income partner will be lower, reducing his desire to want a divorce, leading to more relationship stability.

Note that saving into joint assets provides a way for a couple to make up for the lost contracting security of full commitment. The couple prefers to "tie their savings to the mast" in order to enter a more binding contract and thus reap more value from the marriage. Although here we assume cooperative decision-making, even if the decision were in the husband's hands alone, as long as he cares about child quality sufficiently relative to private consumption in the second period, he too would prefer to put at least some savings into the commitment channel. This means that his total utility can *increase* in the share of assets that are given to his partner upon divorce, up to the value that makes her specialize in home production as in the efficient case. This also provides an explanation for the relative rarity of prenuptial contracts in the

United States (Weiss and Willis 1993), since the husband may prefer to guarantee division of joint assets in order to align incentives for public good production.¹⁷

To empirically test this hypothesis, we use the fact that homes are a type of asset particularly likely to be divided in a way that favors the lower-earning partner. This is because usage rights of the home are often granted to the person who has primary custody until the children reach adulthood. Thus, the same specialization decision that makes the wife lower earning *also* makes her more likely to get a greater share of the value of the home, making it an ideal insurance vehicle. For identification purposes, the ability to purchase a home depends on having sufficient assets for a down payment. The amount of assets required at a specific time will depend on local housing market conditions. Our model offers the result that if access to the commitment savings technology depends on initial asset level, variation in the threshold for access will create variation in specialization and public good provision.¹⁸

C. Selection into Marriage

We now allow a couple to decide, in the first period, between nonmarital fertility and marriage (abstracting away from matching). While nonmarital fertility is free, marriage has a utility cost of F , drawn from a random distribution.

We model nonmarital fertility as a union that has potentially less income sharing upon separation than marriage, and that does not offer commitment to share assets.¹⁹ In the United States, nonmarital relationships traditionally offered no protection to partners at the moment of separation. Over time, income sharing postseparation has been introduced in the form of nonmarital child support enforcement.²⁰ However, a similar change has not happened in the case of assets. In nonmarital fertility, assets are owned by whoever acquires them, no matter the duration of the relationship.²¹ We will thus assume that all assets are shared according to $\delta < 1 - \beta$, as in our imperfect commitment case. Our assumption that savings in nonmarital relationships are always shared in a way that favors the richer partner stems from the fact that the higher-income partner is more likely to be able to acquire the savings. Replicating asset sharing outside of the marriage contract would be quite costly and legally complex.²²

If couples can choose which relationship to enter, the decision will be made based on the total utility that partners can ex ante anticipate to receive in each case. Let

¹⁷One may wonder why he does not provide such security through a prenuptial agreement that is punitive toward the husband in case of divorce, but investing in joint savings, such as purchasing a home, is likely to be more culturally accepted and easier to implement, as well as provide other benefits.

¹⁸We present a formal proof of this result in online Appendix A.4.

¹⁹This is in line with Gemici and Laufer (2011), where cohabitation is considered to offer less commitment than marriage and, accordingly, is empirically found to have less specialization.

²⁰See Section IV.

²¹There is also very little “common law marriage” in the United States—only very few states even allow long-term cohabiting couples to petition the court to be treated as married ex post, and they must present evidence, such as that a wedding ceremony took place.

²²This does not imply that it is impossible for cohabiting couples to at least partially replicate this through a legal contract. However, it will be more difficult, more costly, and less secure than marriage. Nevertheless, the key element is that it will be reserved for wealthy individuals who will be able to put something at risk. Thus, again, those with higher assets will have more household specialization and higher public good provision.

$V_R(A, \Omega_i, \Omega_j, F)$ denote the joint maximized utility of a couple in a given type of relationship R , including the fixed cost of entering the union. Couples will pick the relationship that offers the highest V_R . We will assume that F is centered above 0 and, thus, that marriage has higher average fixed costs than nonmarital fertility and therefore will be preferred by couples who receive sufficiently large benefits from the stronger contract to justify the costs.

PROPOSITION 2: *If there is imperfect commitment in both marriage and nonmarital fertility, but only marriage provides access to the commitment technology, the relative preference for marriage will increase in A for large enough α . Formally, $\frac{\partial V_M(A, \Omega_i, \Omega_j, F) - V_N(A, \Omega_i, \Omega_j, 0)}{\partial A} > 0$. For large enough α and low enough δ , the correlation between A and the probability of marriage will increase when marriage becomes more similar to nonmarital fertility either because divorce becomes unilateral or when income sharing increases in nonmarital fertility.*

PROOF:

From the envelope theorem, we know that $\partial V_R / \partial A = u'(c_1) > 0$. As A increases, marriage and nonmarital fertility thus provide more utility. We already know that in equilibrium $c_1 = 0.5(\mu \Omega_i + \mu \Omega_j + A - s^*)$. Thus, how assets will influence the utility of each type of relationship will entirely depend on the level of optimal savings elected in a given type of relationship. Online Appendix A.5 demonstrates that savings will be larger in marriage than in nonmarital fertility for large enough α , which will mean that first-period consumption will be lower in that case. Given that, $\partial V_M / \partial A > \partial V_N / \partial A$. Since savings are larger, the slope of the joint utility function with respect to A will be more positive for imperfect than perfect commitment. Thus, the correlation between assets and the probability of marriage will increase when divorce changes from bilateral to unilateral.

Assume that nonmarital fertility sees an increase in its degree of income sharing upon separation, making it more similar to that of marriage. For small enough δ , online Appendix A.5 shows that savings will be smaller when the degree of income sharing rises. Since savings will be smaller, this implies that the slope of the joint utility function with respect to A will become less positive for nonmarital fertility compared to marriage. Thus, the correlation between assets and the probability of marriage will increase as nonmarital fertility becomes more similar to marriage in terms of income sharing.

Intuitively, since assets can be consumed in two periods, the marginal utility of consumption between them must be equal (up to the return), and thus the value of assets can be summarized by people's willingness to defer consumption in the first period in order to harness its value in the second. The fact that individuals save more under marriage (when the commitment technology is available) indicates that assets contribute more to utility. And if assets contribute more to utility in marriage than in nonmarital fertility, joint utility from marriage will increase relatively more quickly in assets.

The role of assets in determining marital selection thus grows as marital commitment *not* from assets weakens. This is the case for large enough α and low δ —that

is to say, for couples where assets would particularly benefit the high earner without commitment technology and would be given with a large enough share to the lower-earning partner in presence of that technology.

D. Simulations

We simulate these two empirical implications using a parameterized version of our model in Figure 4. Panel A shows that rising house prices, when a down payment is required to purchase a home, result in decreased specialization and public good production. Because this can also affect selection into marriage, we show that this is true even when restricting to married couples. Panel B shows that as marriage becomes more similar to nonmarital fertility, the gradient between marriage selection and asset ownership increases, with a much larger gap between marriage rates for those without and those with assets when marriage and nonmarital fertility are most similar. Moreover, it shows persistently high marriage rates for wealthy individuals under any policy environment, demonstrating a key implication of our model that wealth provides access to a more advantageous marriage contract.

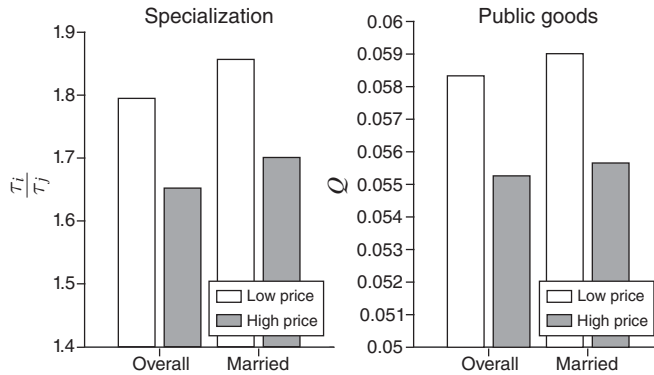
E. Extensions

The key driver of our result is that imperfect commitment leads to inefficient investment decisions that can be in part be mitigated by having savings at stake to protect the lower-earning partner. There are many ways we could generalize this result. In online Appendix A.6, we argue that our results would hold even if there is a utility cost of divorce, which would cause lower divorce rates with the commitment technology. The results can also go through if the investment decision was made independently by each spouse, in which case we could also allow the utility to be linear in consumption. We also argue that couples could differ in other aspects, including the utility they derive from children. We could also let couples marry in different periods, which would lead to some individuals delaying marriage to accumulate enough assets to be able to use the commitment device, matching a trend toward simultaneously earlier nonmarital fertility and later marriage.

III. The Relationship between Collateral and Specialization

Having shown a model where collateralizing marriage increases labor specialization, household public goods, and relationship stability, we now turn to exploring these predictions empirically. Proposition 1 in our model states that stronger asset division upon divorce leads to more specialization. One way to examine this in observational data is by comparing states with more favorable regimes to partners who specialize in home production and thus contribute less to joint assets. In community property states, joint assets are divided equally regardless of contribution, whereas in equitable division states, relative contributions are taken into account.

Panel A. Proposition 5: Down payment requirement with high and low house prices



Panel B. Proposition 6: Relationship between marriage and assets, by policy environment

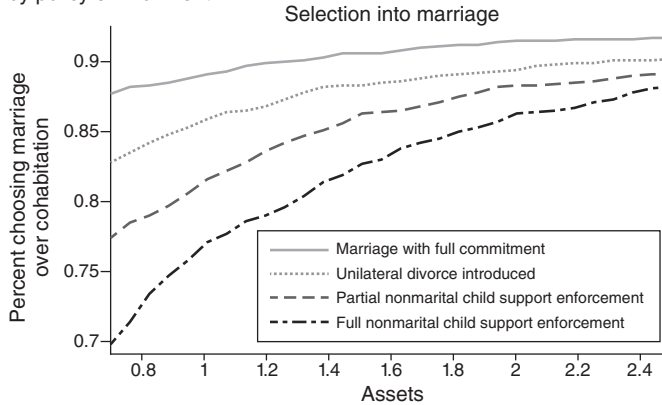


FIGURE 4. SIMULATIONS OF EMPIRICAL IMPLICATIONS

Notes: Panel A simulates the impact of higher home prices, increasing the λ required to access the commitment device, demonstrating that specialization and public goods decrease. The gray bars restrict to the married population, which builds in the selection effect that also results from this change. Panel B simulates the impact of making the marriage and nonmarital contracts more similar on marriage selection by initial asset level, first through the introduction of unilateral divorce and then through strengthening nonmarital child support. Simulation parameters: CRRA utility with $\rho = 1.4$. $\Omega_i = 0.2$ and $\Omega_j = 0.5$. First-period income share $\mu = 0.5$. Child production $Q = 0.15 \times \tau_i^{0.2} \times \tau_j^{0.2}$. Interest rate $r = 1.0204$. Income sharing in marriage: $\beta = 0.75$, in nonmarital fertility: $\gamma = 0.9$ of own income retained, which is then lowered to 0.825 with partial enforcement, and finally the divorce allocation of 0.75. Asset division in marriage: $\alpha = 0.3$, in nonmarital fertility: $\delta = 0.1$. Love shock normal (0, 2), cost of marriage lognormal (3.8, 2.1). High price $\lambda = 2$, low price $\lambda = 1.2$.

Figure 5 uses data from the ACS to show that there is substantially higher specialization in community property states by measuring the difference between male and female labor supply, on both the intensive and extensive margin. The male–female hours gap is 10 percent larger in community property states, while the gap in extensive margin labor supply is nearly 30 percent larger, and this is significant in a regression with demographic controls (shown in online Appendix Table B.1).

While this offers suggestive evidence, these laws have unfortunately not changed over time, and thus their effect cannot be distinguished from state fixed effects.



FIGURE 5. ASSOCIATION BETWEEN COMMUNITY PROPERTY LAWS AND MALE-FEMALE LABOR SUPPLY

Notes: Both the difference in usual hours worked and worked last year are significant in a regression with controls for race, age, and education, as shown in online Appendix Table B.1. Data use individuals married within the last 18 years in the 2008–2014 ACS. Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin are community property states, while the remaining states are equitable division.

To provide evidence that this relationship between the level of commitment and specialization persists with exogenous variation, we use idiosyncratic variation in local housing prices at the time of marriage as a source of exogenous variation in the ability to invest in joint assets, controlling for state and year fixed effects. Because the time of marriage could be endogenous, we rely on variation in housing prices at age 25, the modal age of first marriage in our data. And to address issues of simultaneous causality of housing prices and other economic factors that could impact labor specialization, we further implement an instrumental variables strategy where housing prices are instrumented with historical patterns.

A. Empirical Specification

Our general empirical strategy will consist of estimating the following equation:

$$(2) \quad Y_{i(sct)} = \beta_1 HPI_{sc} + \beta_2 female_i \times HPI_{sc} + \eta_s + \nu_c + \delta_t + \gamma \mathbf{X}_i + \psi HPI_{st} + \varepsilon_{i(sct)},$$

where the outcome of interest of an individual i , born in state s , who turned 25 in year c , and was observed in year t in the ACS is regressed on the HPI when that person was 25 (in their birth state) interacted with whether the individual is female.²³ We include state fixed effects, η_s ; cohorts fixed effects, ν_c ; and year-of-survey fixed effects, δ_t , to isolate idiosyncratic variation. To rule out that

²³ We divide the index by 100 to make the size of our coefficients more manageable, thus making it normalized to 1 in the base year and state.

correlation with current housing prices drives our effects, we additionally control in subsequent specifications for the *current* housing price index (HPI), which varies by both state and survey year. In addition to controlling for gender, we also add controls for the age of the married individual and their educational attainment in subsequent specifications.

We do not employ the housing price at the time of marriage, since marriage timing is endogenous. As shown in online Appendix Table B.2, less educated individuals get married in years of low house prices, as predicted by our model. This implies that using housing price at the time of marriage, if anything, would lead us to underestimate the impact of collateral on specialization. We confirm this by replicating our main analysis with year of marriage in online Appendix Table B.4.

By looking at the differential effect for labor supply and wage outcomes for women versus men, we are able to rule out that direct effects of housing on, e.g., wealth, drive our effects, in essence creating a triple-difference specification. For this reason, these outcomes regarding specialization are our primary outcome measures, and we present at the end additional results for outcomes that our model has predictions for that cannot be measured differentially for men and women: children's outcomes and divorce.

Note that assuming that all women are the spouses likely to specialize in home production likely attenuates the effects we measure. For 76 percent of our sample, the husband works more hours than the wife, and thus the typical gendered pattern of specialization is sufficiently more prevalent than the reverse for this to be effective empirical shorthand.²⁴ We examine “reverse-specialized” couples in our robustness checks.

Controlling for other local and time-varying factors, housing prices at age 25 are uncorrelated with many individual factors that could determine labor supply, and thus provide quasi-exogenous variation to test the predictions from our model. Nevertheless, there remains a possibility that local time-varying factors codetermine specialization and housing prices, such as through tastes for children or other economic factors. To address this, we use an instrumental variables strategy introduced by Palmer (2015). To create the instrument, historical housing volatility in a state is multiplied by the national housing market trend, either amplifying it or dampening it locally, creating a measure that predicts housing prices but cannot be related to concurrent local factors. Since the instrumental variables strategy reduces our precision, and the fixed effects specification with prices at age 25, differencing men and women's outcomes, already accounts for many confounding factors, we will present both specifications.

To measure the past volatility of the HPI, we use the yearly price index (all transactions) from 1975 to 1995. We calculate the standard deviation in the year-to-year fluctuation in the housing price and obtain a value of σ_s , housing volatility, for each state. We then use this volatility as a multiplier on the

²⁴This is aligned with the widespread documentation of higher career costs of children to women (e.g., Adda, Dustmann, and Stevens 2017; Kleven, Landais, and Sogaard 2019; Bronson and Thoursie 2017; Angelov, Johansson, and Lindahl 2016).

leave-one-out national average price changes. Formally, we construct a predicted house price index as

$$(3) \quad \hat{HPI}_{st} = HPI_{-s1996} + \sum_{k=1997}^t \sigma_s \times (HPI_{-sk} - HPI_{-sk-1}),$$

where HPI_{-sk} is the HPI in year k in all other states minus s (we weight the state-level price index by state-level population). Thus, our predicted measure simply assumes that the HPI that a state experiences is the one experienced in the other states amplified or dampened by its past variability. It should thus be exogenous to current local economic conditions since it does not depend on these factors in any way.²⁵ Palmer (2015) conducts the analysis using time dummies instead of the national price index, but the logic is very similar.²⁶

Our data source is the ACS from 2008 to 2014. This cross-sectional survey has the advantage of including the age at first marriage, beginning in 2008, from which we can derive the year in which individuals married. We restrict our sample to individuals turning 25 between 1991 and 2014. We merge this database by year in which the individual turned 25 and state of birth to the Federal Housing Finance Agency's HPI based on purchase-only data.²⁷ The data are available at a quarterly frequency and by state, for which we average over all quarters in a year to obtain our annual index. The HPI is normalized to 100 in the base quarter of Q1, 1991, for each state. In the period of our data, it ranges from around 80 in Hawaii in the 1990s to over 400 for Washington, D.C., in the late 2000s.

In order to illustrate the variation we exploit, we graph residualized housing versus rental prices in example states in online Appendix Figure B.1. Housing prices and rental prices are clearly related, but housing prices tend to be much more volatile, exhibiting boom-and-bust cycles, whereas rental prices tend to change relatively smoothly with cost of living. We compare data on state-level rental prices from the Bureau of Economic Analysis (available after 2008) to the HPI in four large states to show that once state and year fixed effects are taken out, rental prices are basically flat, whereas housing prices exhibit significant local variation. It is exactly this idiosyncratic divergence in the two types of housing costs that would cause housing prices to influence homeownership decisions.

To make this point more generally, we graph each state-year data point for the residualized housing and rental prices against one another in online Appendix Figure B.2, demonstrating that there is little correlation between the two series once both are residualized. This suggests that our HPI measure will capture variation beyond those shocks that would affect renters. Additionally, we repeat this exercise for the

²⁵The only way in which this instrument could be correlated with local economic shocks is if the variance we calculated in previous years reflects a sensitivity not only to house prices but also to other economic shocks, and these shocks are reflected in the national price index.

²⁶We have obtained extremely similar results when simply interacting the σ_s by the HPI in other states in level because we include fixed effects, which implies that our instrument works as in first differences. We also have found that the weighting of the leave-out average does not matter. Similar results were obtained when using flat weights between states.

²⁷Because the purchase-only data are only available starting in 1991, for the instrument construction, we use the data including all transactions, which are available from 1975.

TABLE 2—RELATIONSHIP BETWEEN HOUSE PRICE, THE INSTRUMENT, AND HOMEOWNERSHIP

	OLS			IV		
	(1)	(2)	(3)	(4)	(5)	(6)
	First stage					
$H\hat{P}I_{it}$				0.058 (0.015)	0.058 (0.015)	0.058 (0.015)
	Homeownership					
House price index	−0.041 (0.006)	−0.041 (0.006)	−0.040 (0.007)	−0.136 (0.033)	−0.135 (0.033)	−0.134 (0.034)
Survey year HPI control	No	Yes	Yes	No	Yes	Yes
Additional controls	No	No	Yes	No	No	Yes

Notes: Data use individuals in the 2008–2014 ACS who turned 25 within the last 18 years who are heads of the household or spouses of head of households. *House price index* represents state-level housing prices from the Federal Housing Finance Agency at age 25 divided by 100. Fixed effects for birth year, current year, and state are included in all specifications. Additional controls include a linear control for age and dummies for four educational categories. Standard errors are clustered at the state level. $N = 2,585,764$ in the first three columns, and $N = 2,296,509$ in the last three.

instrument, demonstrating that it too is uncorrelated with rental prices, and captures unique variation in housing prices separate from general cost of living.

B. Effect of Housing Prices on Homeownership

We first show that there is a strong relationship between housing prices, our instrument, and the probability of owning a home. The first stage is very strong between the instrument and the actual price index, as shown in the first panel of Table 2. The F -stat for the first stage, in columns 4 through 6, is around 8.8.

We then show that the HPI at age 25 indeed creates variation in the endogenous variable of interest, homeownership, in the second panel of Table 2. These results suggest that a one-point change in the renormalized price index at the time of marriage, approximately the appreciation California experienced from 2011 to 2016, corresponds to an approximately 4 percentage point change in the rate of homeownership. That is, when the HPI was higher by one point when they were 25, couples were 4 percentage point less likely to own a home in the survey year (on a base rate of around 68 percent). This is robust to the inclusion of a control for the year of the survey HPI and for additional controls as described before.

The next three columns show that this relationship is even stronger when using the instrumented price index. The magnitude is even larger than the one with the direct HPI, suggesting that a low price index may also be correlated with bad economic conditions, which dampened its effect on ability to own.²⁸

²⁸ We prefer the reduced-form specification to the IV using prices as an instrument for ownership, because prices may not satisfy the exclusion restriction and, thus, presenting it as a valid instrument is misleading. Our key argument for the validity of the reduced-form specification is that the only channel through which prices can impact women’s hours in the opposite direction as men’s is collateralization.

C. Effect of Housing Prices on Specialization

Labor Supply.—Our model suggests that access to a collateralized contract will enable the couple to have more division of labor within the household, captured by decisions over τ_i and τ_j in our model. We examine this by looking at the differential effect of housing prices on men's and women's labor supply in panel A of Table 3. The baseline effect is the effect for men, while the effect for $HPI \times female$ is the effect for women relative to men. OLS regressions are presented in the first three columns, and IV regressions in the last three.²⁹ We interpret the coefficient on HPI as the effect of a less complete marriage contract due to less access to housing collateral.

We find that women who faced higher home prices at the time of marriage are more likely to work in the year of the survey relative to men and work more hours relative to men, who work less. The sum of the coefficients for women is also positive, indicating that they also worked absolutely more. This corresponds to household specialization decreasing with less access to collateral. The magnitudes are such that housing prices being higher by one point at the time of marriage, which corresponded to a 3 percentage point lower homeownership rate, leads to a 1 percentage point higher probability of having worked last year and to about 0.8–0.9 more hours worked per week for women (summing the main and interaction effects).

Columns 4 to 6 of Table 3 repeat the analysis for specialization with the instrumented HPI. Note that following Wooldridge (1997), we interact the predicted values from the first stage rather than the instrument itself with our gender dummy and use these as instruments for HPI and $HPI \times female$ to maximize efficiency. We find that the asymmetric reaction of men and women in labor supply to the change in the housing price remains even once we instrument the HPI. We continue to find that a less favorable housing market at the moment of the marriage decreases the division of labor between spouses. In response to an exogenously expensive housing market, women work more, while men work less. The coefficient for males is insignificant for the intensive margin and weaker statistically, but the interaction term between female and HPI is always positive and significant (and the sum is also positive).

Importantly, our results show that the effect of higher HPI goes in the opposite direction for men and women. While negative income effects from loss of home appreciation could potentially create a stronger labor supply effect for women versus for men, the effect would always go in the same direction, and we would never expect men's labor supply response to be negative (McClelland and Mok 2012).³⁰ Instead, we see diverging labor supply responses between women and men, indicating that homeownership affects *division* of labor, consistent with our commitment story.

These results are consistent with our model, where a higher buying threshold that restricts access to the savings technology decreases specialization. In the context of our model, this could be interpreted as marriages being less secure due to the

²⁹ We show as a comparison the results of the same regressions using variation in housing prices at the time of marriage in online Appendix Table B.4.

³⁰ While Fortin (1995) suggests that homeownership could affect women's labor supply through the channel of needing to pay off the mortgage, this would go in the opposite direction from what we find and would again be expected to be directionally consistent for men and women.

TABLE 3—RELATIONSHIP BETWEEN HOUSE PRICE AT AGE 25 AND SPECIALIZATION

	OLS			IV		
	(1)	(2)	(3)	(4)	(5)	(6)
<i>Panel A. Labor supply</i>						
	Worked last year					
<i>House price index</i>	−0.010 (0.004)	−0.011 (0.004)	−0.008 (0.004)	−0.008 (0.008)	−0.004 (0.008)	−0.007 (0.006)
<i>HPI × female</i>	0.018 (0.007)	0.018 (0.007)	0.017 (0.007)	0.021 (0.010)	0.021 (0.010)	0.020 (0.009)
	Usual hours worked					
<i>House price index</i>	−0.919 (0.268)	−0.963 (0.273)	−0.846 (0.255)	−1.114 (0.566)	−1.136 (0.570)	−1.076 (0.446)
<i>HPI × female</i>	1.713 (0.474)	1.713 (0.474)	1.626 (0.442)	1.922 (0.624)	1.918 (0.624)	1.876 (0.572)
<i>Panel B. Wages</i>						
	Wage (level)					
<i>House price index</i>	−6016 (1282)	−6160 (1319)	−5807 (1329)	−14285 (3561)	−13530 (3468)	−14223 (3662)
<i>HPI × female</i>	8371 (1288)	8370 (1289)	8126 (1221)	8765 (1387)	8753 (1385)	8677 (1260)
	log Hourly wage					
<i>House price index</i>	−0.062 (0.012)	−0.065 (0.013)	−0.052 (0.013)	−0.151 (0.033)	−0.153 (0.033)	−0.147 (0.035)
<i>HPI × female</i>	0.095 (0.013)	0.095 (0.013)	0.076 (0.010)	0.100 (0.016)	0.099 (0.016)	0.084 (0.013)
Survey year HPI control	No	Yes	Yes	No	Yes	Yes
Additional controls	No	No	Yes	No	No	Yes

Notes: Data use individuals in the 2008–2014 ACS who turned 25 within the last 18 years. House price index represents state-level housing prices from the Federal Housing Finance Agency at age 25 in the state of birth divided by 100. Fixed effects for birth year, current year, and state are included in all specifications. Additional controls include a linear control for age and dummies for four educational categories. Standard errors are clustered at the state level. For OLS, $N = 3,709,453$ for all outcomes except log Hourly wage, where $N = 2,956,363$. For IV, $N = 3,348,288$ for all outcomes except log Hourly wage, where $N = 2,674,859$.

investment in joint marital assets and, thus, women needing to protect their own income through higher labor force participation.³¹

In order to offer some sense of the magnitude of our coefficients, we can do a back-of-the-envelope calculation assuming that lower housing prices at the time of marriage only affect the probability that a household owns a home. This is probably too strong of an assumption but allows us to put some upper bounds on our effects. If we are willing to make that assumption, we would conclude that being

³¹ While other studies connect changes in women’s hours to bargaining power (e.g., Voena 2015), we emphasize the impact on public good provision, which we also measure directly in the next subsection. Since in our empirical setting there is no legal shock to existing unions but rather the endogenous decision to purchase a home, any increase in bargaining power results from a joint decision, which we show in our model can be ex ante optimal in order to increase public good provision. Further, in our robustness checks, we show no similar effect for childless couples.

10 percentage points more likely to own a home lowers the probability that the wife works by about 2 percentage points and increases the usual work hours of men by 2.5 while decreasing that of women by 2. In other words, if a household goes from not owning a home to owning a home (in this calculation), male labor increases by 25 hours and female labor decreases by 20 hours, consistent with the story that owning a home will lead to a significant increase in division of labor.

Wages.—As the model predicts an effect of collateralization on future earning ability, we should also be able to see a change in wages, which in our model are determined by $\Omega_k(1 - \tau_k)$. Less collateral would decrease gendered specialization in investments, increasing women's wages and decreasing men's. We test this piece directly in Table 3, panel B, by examining the impact of housing-price-induced lower homeownership on the relative wages of women versus men. The first three columns use the OLS specification, while the last three employ the IV.

We find that higher housing prices at age 25 are associated with decreases in male wage levels but a positive and significant interaction term for women. The sum of the terms is also positive, indicating that women who married in higher housing price times and areas experienced higher wages. Note that although negative income effects may increase hours, there is no reason that they would be expected to decrease male wages or have a differential effect on male and female wages. The magnitude of these coefficients reflects the substantial loss of individual earning power for women specializing in home production, and why they may only be willing to do it when collateral is present.

Results are larger but in the same direction when instrumenting for house prices. These results show that even with no possible influence from local economic factors, and eliminating the possibility that local tastes drive both specialization patterns and housing prices, our findings that more difficult homeownership predicts less specialization hold.

Our findings are consistent with evidence that having children decreases women's wages while not affecting men's (e.g., Adda, Dustmann, and Stevens 2017; Kleven, Landais, and Sjøgaard 2019; Bronson and Thoursie 2017; Angelov, Johansson, and Lindahl 2016), but add evidence that women experience these declines more when they are in collateralized relationships, which provide greater insurance for specialization. In couples where buying a home is easier (flipping our effects to think about lower housing prices and easier homeownership), women's time would be reallocated toward child investments but lower personal human capital accumulation, with the opposite holding for men. These results also provide one possible channel for the male marital wage premium—by offering a secure relationship through which gains to division of labor can be captured, men who marry are able to spend less time on home production and more time investing at work, thereby increasing their wages.

Time Use.—To demonstrate that the mechanism of the changes in labor hours is through greater specialization, and to rule out alternative channels, we turn to a data source where we can examine time in home production directly. The ATUS documents time spent in a variety of tasks, for a “diary” covering a single 24-hour day

for each respondent. The survey is linked to the Current Population Survey, and thus basic demographic information is available for each respondent.

To examine the impact of higher house prices around the time of marriage—and, thus, lower homeownership—on investments at work and at home, we divide daily time use into three broad categories, adding up to the entire day (with the exception of a few missing or uncoded minutes): work, home production, and leisure. Work includes work and work-related travel. Home production includes chores, childcare, and home management. Leisure includes both traditional leisure activities, such as parties and recreation, and things one might be expected to do more of with lower “productive” time demands, such as sleep.

Table 4 regresses each of these mutually exclusive time-use categories on the home price index and its interaction with being female. Because we would expect time-use patterns to be most impacted when a couple has young children at home, matching the first period in our model, we restrict to individuals who turned 25 no more than ten years ago. Online Appendix Table B.6 repeats the analysis for our main sample, those who turned 25 no more than 18 years ago, and finds highly similar results.

With more difficult home purchase, women’s time shows a substantial reallocation from home production to work hours, with no change in leisure, consistent in the specialization story. These effects are nearly identical with instrumentation. While instrumenting shows a slightly different pattern in the common effect for men and women, it is not significant. Note that although we do not see large changes in men’s minutes of work, we note that due to the possibility of conducting a secondary activity in the ATUS, it is possible that work time or investments are changing in a way not well measured with primary-activity time use.

Finally, we examine whether somehow the physical space or location of the home itself could be driving a change in time allocation. We confirm in online Appendix Table B.7 that there is no change for time spent on the physical space of the home, such as interior or exterior maintenance, demonstrating that owning a home itself does not increase the household-tasks workload for women.

These results demonstrate that a less secure marriage contract due to more difficult home purchase is tied to a large, differential decrease in women’s time in home production, and is not tied to changes in leisure. We discuss how this assists in ruling out possible alternative explanations such as bargaining or income changes in Section IIID below.

D. Ruling Out Alternative Explanations

Robustness.—We first show that our results are not dependent on a particular sample or time period being selected. For this analysis, we focus only on our most demanding specification, including the survey-year HPI as a control and additional controls for both the OLS and the IV. First, given that our mechanism of impact is through homeownership, one would like to see that there is no effect on individuals who do not own homes. In other words, if broad economic trends were at play, or if rental housing were equally efficient in delivering the benefits we find, one might also expect an impact on renters. Although this is conditioning on an endogenous

TABLE 4—RELATIONSHIP BETWEEN HOUSE PRICES AT AGE 25 AND TIME USE (IN MINUTES PER DAY)

	Dependent variable: Time in . . .					
	Work		Home production		Leisure	
	(1)	(2)	(3)	(4)	(5)	(6)
<i>Panel A. OLS</i>						
<i>House price index</i>	−5.268 (7.483)	−4.374 (7.617)	12.56 (6.025)	11.90 (6.459)	−9.178 (7.692)	−9.454 (7.537)
<i>HPI × female</i>	23.65 (10.94)	21.29 (10.99)	−28.52 (5.424)	−27.05 (5.359)	2.578 (6.729)	3.496 (6.718)
Observations	33,015	33,015	33,015	33,015	33,015	33,015
R ²	0.224	0.234	0.126	0.133	0.178	0.180
<i>Panel B. IV</i>						
<i>House price index</i>	−5.630 (20.61)	−7.058 (20.12)	−28.76 (36.11)	−27.90 (34.65)	37.58 (29.66)	38.08 (30.22)
<i>HPI × female</i>	34.45 (10.87)	32.18 (10.96)	−32.25 (5.706)	−30.80 (5.573)	−3.671 (7.208)	−2.822 (7.288)
Observations	30,879	30,879	30,879	30,879	30,879	30,879
R ²	0.222	0.233	0.122	0.130	0.175	0.177
Survey year HPI control	Yes	Yes	Yes	Yes	Yes	Yes
Additional controls	No	Yes	No	Yes	No	Yes

Notes: Data use the ATUS from 2003 to 2019, for individuals who turned 25 no more than ten years ago. Work is both work and work-related travel. Home production includes childcare, housework, and errands, and all related travel. Leisure includes recreation, sleep, and volunteer and educational time. *House price index* represents state-level housing prices from the Federal Housing Finance Agency in the year of turning 25, divided by 100. Fixed effects for the year of birth, current year, and state are included in all specifications, as well as fixed effects for day of the week and holidays. Additional controls include a linear control for age and dummies for four educational categories. Standard errors are clustered at the state level.

variable and should be interpreted with caution, online Appendix Table B.5 shows that our effect is entirely absent for renters.

Our hypothesized channel would also imply that those who never marry should not respond to the housing price at the modal age for marriage. We repeat our analysis of housing price at age 25, but this time restricting ourselves to *unmarried* individuals at the time of the survey. We show in the second panel of online Appendix Table B.5 that the coefficients are opposite signs for those never married, demonstrating that the channel of impact from housing prices to specialization runs through marriage. We also show that our results are robust to using state of residence instead of state of birth if the former were to be closer to the state where the individual lived when 25. We draw identical conclusions, as shown in the third panel of online Appendix Table B.5.

Finally, we also show that our results are robust to excluding the Great Recession years, as shown in the fourth panel of online Appendix Table B.5.

General Economic Conditions.—We next address several possible alternative explanations for our findings. First, one may be worried that housing prices stand in for other economic factors that influence specialization. In particular, high housing prices are likely to be correlated with a better labor market, which could have a differential impact by gender. We explore this, including the state-level unemployment

rate at age 25 as an additional explanatory variable in addition to housing prices. This is a good strategy for the OLS but more problematic for the IV, as we include another endogenous variable without instrumenting for it. The results are presented in panel A of Table 5. They show that our results are similar when including this control. Additionally, if women are more likely to work during periods of poor labor markets, which are correlated with low housing prices, this suggests that far from being likely to explain our main result, correlated economic conditions may weaken the effects we observe.

Suburbanization.—Another possible explanation is that housing prices at the time of marriage may change people's locational choices in a way that also impacts specialization. For example, cheaper housing prices could induce couples to move to the suburbs, which could cause more specialization due to longer commuting times faced by these new suburbanites. First, we note that high housing prices may actually drive people out of central areas, which in this alternative story would increase specialization, whereas we see it decreasing when prices are high. Second, we provide a more direct test by restricting our analysis to those in the central city only, shown in panel B of Table 5. Effects are no weaker for this group.

Wealth Effects.—As we have outlined, although owning a home may assist in acquiring wealth, it seems implausible that wealth effects could explain the opposite effects for men and women, especially given the decreasing work hours for men with more difficult homeownership. Moreover, if negative income effects account for the change, we might expect total home production time to rise (due to reduced outsourcing) and leisure to decrease, when in fact we see lower total home production and flat leisure in Table 4.

To test directly whether wealth effects can have a differential effect on women that explains our pattern, we restrict our sample to women who earn more than their spouses—that is, those who have a nontraditional ratio of Ω s. We understand that this is endogenous, but it is interesting to see in panel C of Table 5 that the results are reversed in signs for these couples. More expensive housing makes men work more and women work less in these couples. Coefficients are not as statistically significant as before, in part because we now have only a quarter of the original sample, but these findings support the theoretical implication that the gendered nature of the model's predictions should only hold for couples where women are the lower-income partner. This would be inconsistent with wealth effects always leading women to work less and men to work more.

Bargaining Power.—Finally, we explore whether our results could simply be due to the fact that the balance of power between men and women is altered by the presence of housing assets without being related to the collateralization of the relationship. As a proxy for couples that could see a shift in balance of powers but little impact on the capacity to specialize, panel D of Table 5 restricts the sample to childless couples. We see reverse results for hours worked for this group, suggesting that what we capture in our main results is more than a change in bargaining weights within the household.

TABLE 5—RULING OUT ALTERNATIVE MECHANISMS: EFFECT OF HOUSE PRICE AT AGE 25 ON SPECIALIZATION

Dependent variable:	Worked last year		Usual hours worked	
	OLS	IV	OLS	IV
	(1)	(2)	(3)	(4)
<i>Panel A. Including unemployment control</i>				
<i>HPI</i>	−0.007 (0.004)	−0.005 (0.006)	−0.936 (0.239)	−1.110 (0.602)
<i>HPI × female</i>	0.017 (0.007)	0.017 (0.008)	1.629 (0.421)	1.611 (0.508)
<i>N</i>	3,709,453	3,348,288	3,709,453	3,348,288
<i>Panel B. Only those living in central city</i>				
<i>HPI</i>	−0.017 (0.005)	−0.027 (0.010)	−1.161 (0.318)	−1.701 (0.571)
<i>HPI × female</i>	0.016 (0.006)	0.019 (0.006)	1.447 (0.316)	1.629 (0.329)
<i>N</i>	530,434	481,660	530,434	481,660
<i>Panel C. Couples where wife earns more</i>				
<i>HPI</i>	0.002 (0.002)	0.000 (0.004)	−0.068 (0.159)	0.289 (0.315)
<i>HPI × female</i>	−0.009 (0.003)	−0.009 (0.004)	−0.142 (0.186)	−0.064 (0.240)
<i>N</i>	597,115	535,000	597,115	535,000
<i>Panel D. Childless couples</i>				
<i>HPI</i>	0.000 (0.003)	−0.013 (0.011)	0.050 (0.162)	−1.146 (0.438)
<i>HPI × female</i>	−0.000 (0.002)	0.001 (0.003)	−0.356 (0.137)	−0.308 (0.164)
<i>N</i>	1,842,694	1,696,497	1,842,694	1,696,497
<i>Panel E. Only college educated</i>				
<i>HPI</i>	−0.029 (0.005)	−0.021 (0.011)	−2.412 (0.322)	−2.058 (0.884)
<i>HPI × female</i>	0.052 (0.008)	0.055 (0.010)	4.271 (0.559)	4.548 (0.662)
<i>N</i>	1,364,477	1,221,135	1,364,477	1,221,135
Survey year HPI control	Yes	Yes	Yes	Yes
Additional controls	Yes	Yes	Yes	Yes

Notes: Data use individuals in the 2008–2014 ACS who turned 25 within the last 18 years. *House price index* represents state-level housing prices from the Federal Housing Finance Agency at age 25 in the state of birth divided by 100. Fixed effects for birth year, current year, and state are included in all specifications. Additional controls include a linear control for age and dummies for four educational categories. Standard errors are clustered at the state level.

Furthermore, if there were an increase in women's bargaining power, as seen in Voena (2015), we would expect leisure to respond, whereas we found no change in Table 4. The fertility decrease for couples with more difficult homeownership that we detail in Section IIIE is also inconsistent with a bargaining explanation, since fertility declines are typically tied to increased female bargaining power.

Finally, we further strengthen the link between our results and specialization by examining a group that may have a particularly high cost of lost human capital while facing higher benefits to specialization, the college educated. High-skilled women may face particularly substantial losses of earning potential from specialization and may thus be more affected by the presence of assets to “insure” their investments. On the other hand, college-educated couples may have particularly high gains to specialization, given that convex returns to hours may only be present in high-skilled professions, and that high-skilled mother’s care is harder to substitute with market care. Panel E of Table 5 shows that the response we have documented is much stronger for college-educated men and women than for the rest of the population. This supports our results being driven not by other shocks or mechanisms but rather through the channel of insuring against the negative impacts of specialization in case of marriage dissolution.

E. Effect of Housing Prices on Secondary Outcomes

Having shown that housing prices have a strong effect for outcomes for which we are able to essentially implement a triple difference by comparing men’s outcomes to women’s, we now turn to secondary outcomes for which we cannot take a difference between men’s and women’s outcomes, and therefore cannot rule out direct impacts of housing ownership. Thus, we acknowledge that these results are suggestive only, but we nonetheless wish to show they move in the direction predicted by our model.

We measure household public goods, Q , with two different proxies: whether the child is delayed in school progression and the number of children within the household. We look at children below age 18 because this makes it more likely that they are the children of the marriage we are examining. The first outcome is only available for households that have children of school age, which implies that our sample size is smaller.³²

We then measure whether the individual has been divorced. In our baseline model, divorce is unaffected, but access to a joint savings vehicle reduces the probability of renegotiating the marriage contract. When we allow for child utility to be experienced differently by parents within versus outside of marriage, the model predicts that divorce itself will be lower for those who are able to purchase a home.

Table 6 shows each outcome for both specifications. The table suggests that households that were in a tighter housing market in the year they turned 25 also show some evidence of changes in child outcomes and divorce rates.

In the case of grade retention, we find that couples facing more difficult housing markets are more likely to see their kids repeat grades. An increase of one point in the housing price at the time of marriage and a corresponding 3 percentage point lower homeownership rate lead to an increased probability of having a child who is below

³² To get some sense of the impact on public goods, we also use total labor supply as an outcome, in online Appendix Table B.3. These results indicate that being 25 when housing prices were lower leads to less total labor supply from a couple (with women’s hours decreasing more than men’s increase) and, thus, potentially greater provision of public goods. However, none of the coefficients are statistically significant.

TABLE 6—RELATIONSHIP BETWEEN HOUSE PRICES AT AGE 25 AND OTHER OUTCOMES

	OLS		IV	
	(1)	(2)	(3)	(4)
Dependent variable: Grade retention				
<i>House price index</i>	0.005 (0.002)	0.004 (0.002)	0.025 (0.006)	0.021 (0.005)
Observations	1,862,090	1,862,090	1,647,773	1,647,773
Dependent variable: Number of children				
<i>House price index</i>	−0.069 (0.027)	−0.067 (0.027)	−0.360 (0.125)	−0.348 (0.119)
Observations	3,709,453	3,709,453	3,348,288	3,348,288
Dependent variable: Divorced				
<i>House price index</i>	0.002 (0.002)	0.001 (0.002)	0.010 (0.004)	0.008 (0.005)
Observations	2,158,247	2,158,247	1,910,614	1,910,614
Survey year HPI control	Yes	Yes	Yes	Yes
Additional controls	No	Yes	No	Yes

Notes: Data use individuals in the 2008–2014 ACS who turned 25 in the last 18 years. *House price index* represents state-level housing prices from the Federal Housing Finance Agency in the year of marriage, divided by 100. Fixed effects for the year of marriage, current year, and state as well as year-of-survey fixed effects are included in all specifications. Additional controls include a linear control for age and dummies for four educational categories. Standard errors are clustered at the state level.

the grade for his age by 0.8 percentage points. This could indicate a lower total time investment in each child, with children having lower human capital as a result.

Each child takes more time away from parents. Thus, our model predicts that couples who are more insured against divorce will have larger Q , which can be done through both the number of children and the investment in each one. We find that facing a one-point-higher housing price at marriage decreases the number of children by 0.07 in the OLS specification, with a larger coefficient in the IV.³³

The results for divorce suggest that divorce increases when couples are less likely to own a home due to higher HPI, demonstrating that housing collateral may work to disincentivize divorce and, thus, provide a stronger marriage contract. The results for secondary outcome measures are stronger in the IV specifications, suggesting that the correlated economic factors may work against the model's channels, since getting married in good economic times may make one more likely to invest in children and less likely to divorce.

One may worry that the effect we observe on fertility is driving all of our other results above. First, we note that if fertility alone were the driving mechanism, we

³³ This outcome may not be well served by a linear model. We thus also estimated a Poisson regression and found that the results are stronger when using that type of model. Specifically, the coefficient on $-HPI$ in the Poisson is 0.038–0.044 with standard errors of about 0.015, thus leading to t -statistics above 2.45 in all specifications.

would expect leisure time to be affected, as well as a fall in even men's home production when children were young, which is not what we see in Section IIIC when we examine time use. We also note that we see decreases in child *quality* in the age-for-grade results, which points to decreased investment per child, which is counter to what instrumented fertility effects show (Bhalotra and Clarke 2020). Additionally, whereas fertility has been shown to universally decrease women's wages, even when they are high earning (Kleven, Landais, and Søgaaard 2020), we showed in Table 5 that reverse-specialized couples in our data react in the reverse manner to the housing shock, which makes it difficult for a fall in fertility to explain the effects in both male and female high-earner couples.

Together, the results on the relationship between housing prices and home purchase, parental time allocation, relative wages, child quality, and divorce suggest that restricted access to housing as a joint savings vehicle at the time of marriage has significant consequences on parental outcomes later on, inducing couples to specialize less, shown in both hours and wages, and produce lower public goods, proxied by child outcomes. This is very robust to a variety of alternative specifications and suggests that there is real power in collateralizing marriage contracts through housing.

IV. The Role of Assets in Marriage Selection

Our model predicts that since marriage specifically provides a contractual obligation to share joint assets, it may be more valuable to people who have positive wealth and are therefore able to take advantage of the commitment device. This aligns with existing evidence in the literature showing a strong relationship between socioeconomic status and marriage (Lundberg, Pollak, and Stearns 2016; Schneider 2011). In Lafortune and Low (2017), we demonstrate that marriage rates are higher for people with higher wealth even conditioning on wages, education, and race.³⁴ In order to separate this from a selection effect, we now test Proposition 2 in our model, that the differential value of marriage versus nonmarital fertility for people with assets will grow as marriage and nonmarital fertility become more similar in other ways. Showing that the correlation between assets and marriage has increased in response to these policies additionally provides evidence that the collateralization channel has played a role in the stratification in marriage behavior over time.

To do this, we make use of the state-year variation in the policy changes outlined in Table 1. In particular, we focus on the introduction of unilateral divorce and paternity enforcement for nonmarital fathers, the adoption of which by states has been treated as quasi-exogenous by other papers in the literature.³⁵

Unilateral divorce was passed in a series of state-level policy changes between 1967 and 1992, with the most states changing status between 1970 and 1980

³⁴ To do this, we used the panel nature of the SIPP to show that single individuals who have more assets in the first wave are more likely to marry in subsequent periods.

³⁵ We focus on these policies because there is state-level variation in the rollout of these policies, which can be used for identification. Historically, marriage offered many benefits beyond those available through nonmarital fertility, including paternal rights over children (Edlund 2006), and divorce was difficult and extremely rare (Kay 2000).

(Friedberg 1998; Voena 2015). In our model, unilateral divorce would decrease the level of intertemporal commitment possible in marriage. Mutual consent divorce is closer to the perfect commitment case than the imperfect commitment one. Division of income within marriage will never be renegotiable when both partners must consent to the divorce, and a postdivorce split, if agreed upon, would be more favorable to the lower-earning partner. Unilateral divorce, by contrast, will be more similar to the case of imperfect commitment. Courts will determine the way that resources are shared ex post, and one partner can trigger the divorce procedure, forcing the other partner to renegotiate the sharing rule within marriage.

Enforcement of financial responsibilities for nonmarital fathers was increased rapidly during the welfare reform in the 1990s, and made the income sharing guaranteed through marriage and nonmarital fertility much more similar (Mayeri 2016). We focus on one dimension of this enforcement for which we have state-level variation—namely, establishing paternity at the hospital at the time of birth (Rossin-Slater 2017). Once the father's paternity is formally established, it is easier for courts to enforce his financial obligation to support the child, even if the relationship between the mother and father dissolves. Establishing paternity at the hospital proved effective, because fathers typically attend births and may be more willing to take on responsibility during this happy period. These in-hospital voluntary paternity establishment (IHVPE) programs were thus not themselves a form of enforcement but enabled enforcement of child support outside of marriage. And they were rolled out in a staggered fashion by states throughout the 1990s.

We focus on the interaction between the policy changes and the impact of asset holding on the propensity to marry, in panel data. The direct impact of the policies themselves may be difficult to identify due to the possibility of other correlated changes at the state-year level that may relate to marriage rates. However, to our knowledge, ours is the only clear mechanism that would indicate a differential change in marriage rates by asset holding.

A. Weakening the Marital Contract

We first examine whether a switch from mutual consent requirements to unilateral divorce led to an increased relationship between assets and marriage. We implement this empirical test using the PSID, since the PSID contains data for the time period when unilateral divorce laws were introduced, mainly in the 1970s. We follow Voena's (2015) coding of unilateral divorce laws.

We want to measure how the decision to marry is impacted by the interaction of unilateral divorce laws and asset holding at the time when individuals are considering marriage. As the PSID does not regularly add new individuals (other than the children of panel participants), we need to choose a specific time to start looking at individuals. We choose to start looking at individuals at age 22, as this ensures that we will cover the period of highest "marriage hazard" for men during the time period we analyze, when median age at first marriage ranged from 24 to 26. Our sample is thus all men who appear as unmarried at age 22 at any point during the sample time frame. We attach the unilateral divorce status in the year they enter our sample in the individual's state of residence. We then follow them for a maximum of

12 years and measure whether they marry or not. Formally, we regress “ever marry” over the subsequent 12 years on state-of-residence unilateral divorce policy and asset holding at age 22, controlling for state and year fixed effects.³⁶

The equation being estimated is

$$(4) \quad \text{Evermarry}_{ist} = \beta \text{unilateral}_{st} \times \text{assets}_i + \nu \text{assets}_i + \xi \text{unilateral}_{st} \\ + \gamma \mathbf{X}_i + \eta_s + \delta_t + \varepsilon_{ist}$$

on a panel of men i who turned 22 in year t living in state s . We include individual-level controls as well as state-specific time trends in subsequent specifications.

We designate people as having positive assets based on asset income, which is more likely to indicate the types of financial assets that could be invested in a marital property.³⁷ Prior to 1975, asset income is measured most cleanly for heads of household, and with noise for nonheads. For nonheads prior to 1975, we must infer asset income based on the individual having nonlabor income but not being poor enough for the household to receive welfare transfers. From 1975 onward, asset income is not comingled with other types of income for nonheads. Our results are also extremely consistent if we use the asset holding of the head of the household to proxy for all household members (which avoids changing the definition of asset holding over time), since this would also likely be a strong indicator of the son being able to place a down payment on a home or save in other ways.

Table 7 shows that men who turned 22 in a state that had unilateral divorce saw an increased relationship between their asset holding and their probability of marrying within the next 12 years. The coefficient is significant at the 5 percent level in specifications with controls. This aligns with our hypothesis that having assets allows marriage to retain value—through increased commitment and protection for the lower-earning spouse—even in the presence of one-sided divorce decision-making. The effect size remains stable with the introduction of individual controls and state-specific time trends. Note that the main effect of assets is not significant, and switches signs as additional controls are introduced. This indicates that asset holding provides *substitute* commitment for difficult divorce and, thus, only matters once unilateral divorce is introduced. Thus, the relationship between asset holding and marriage is a more recent phenomenon, linked to the decline in the security of the marital contract.

B. Strengthening the Nonmarital Fertility Contract

We now use data from the 1992, 1993, and 1996 waves of the SIPP to test whether the relationship between marriage and assets was affected by the introduction of

³⁶The analysis is robust to other choices of entry points and time windows.

³⁷For heads of household, we can further restrict to only financial asset income rather than farm or business income. For nonheads, we cannot restrict the type, but they are also less likely to receive income from a farm or business. We exclude homeownership from assets for two reasons: first, it is only measured for household heads, and second, homes owned premarriage are unlikely to be divided upon divorce, whereas financial assets that are used to purchase joint marital homes or save in other ways create shared marital property.

TABLE 7—UNILATERAL DIVORCE LAWS AND TIME TO MARRIAGE, BY ASSET STATUS

	Dependent variable: ever married		
	(1)	(2)	(3)
<i>Unilateral</i> × <i>Assets</i>	0.143 (0.073)	0.170 (0.075)	0.164 (0.072)
<i>Owns assets</i>	0.083 (0.057)	−0.037 (0.064)	−0.026 (0.061)
Additional controls	No	Yes	Yes
State-specific time trend	No	No	Yes
Observations	1,967	1,463	1,463
R^2	0.144	0.207	0.233

Notes: Data use unmarried male individuals in the 1968–1993 PSID, starting at age 22. Outcomes are measured over a 12-year period. State and year fixed effects are included in all specifications. Additional controls include income, education, and race. Standard errors are clustered at the state level.

IHVPE policies. IHVPE created a mechanism to enforce income sharing in the case a nonmarital relationship dissolved, offering one protection previously only provided through marriage. Our model would predict that this legal change would widen the marriage gap between high- and low-asset individuals.

As new individuals regularly enter the SIPP data, there is no need to designate a specific age to begin considering people. We thus assemble a dataset encompassing all men aged 21–35 who begin unmarried. The SIPP data are quarterly and, for the period we use, include individuals in a panel for 9 or 12 quarters. The panel itself is short, so we use the full time period for each individual, and naturally will thus have lower overall marriage rates than in the PSID analysis. We regress “ever married” (during the period we observe) on asset holding and the IHVPE policy in the initial period, controlling for state, year, and initial age.

The equation being estimated is

$$(5) \quad \text{Evermarry}_{ist} = \beta \text{IHVPE}_{st} \times \text{assets}_i + \nu \text{assets}_i + \xi \text{IHVPE}_{st} \\ + \gamma \mathbf{X}_i + \eta_s + \delta_t + \varepsilon_{ist},$$

where s and t represent the state and year the individual i first appears in the data. We add individual-level controls as well as state-specific time trends in subsequent specifications.

Our data on IHVPE dates come from Rossin-Slater (2017), and all of these policies were implemented in the 1990s, during the period of welfare reform. Assets are specifically listed in the SIPP data, and we divide individuals into “asset holding”—those with assets greater than zero—and not.³⁸

³⁸ As explained in footnote 37, we exclude homeownership from assets.

TABLE 8—PATERNITY ESTABLISHMENT LAWS AND MARRIAGE RATES, BY ASSET STATUS

	Dependent variable: ever married		
	(1)	(2)	(3)
<i>IHVPE</i> × <i>Assets</i>	0.035 (0.013)	0.033 (0.013)	0.031 (0.012)
<i>Owns assets</i>	0.041 (0.007)	0.022 (0.006)	0.022 (0.006)
Additional controls	No	Yes	Yes
State-specific time trend	No	No	Yes
Observations	12,816	12,816	12,816
<i>R</i> ²	0.0816	0.0891	0.0926

Notes: Data use male individuals in the 1992, 1993, and 1996 SIPP age 21–35 who enter the data unmarried. IHVPE represents the adoption of in-hospital voluntary paternity establishment programs, shown by Rossin-Slater (2017) to decrease marriage rates. State and year fixed effects are included in all specifications, as are controls for age. Additional controls include income, education, and race. Standard errors are clustered at the state level.

Table 8 shows that individuals who entered the SIPP at a moment where their state of birth had implemented the IHVPE policy observed a greater correlation between assets and the probability of marriage than those who entered when the policy was not yet implemented. The effect size remains consistent even when state-specific time trends are accounted for. And holding assets itself is positively associated with marriage rates in this time period, consistent with the earlier evidence in Lafortune and Low (2017). Since all states have implemented unilateral divorce over this period, this is consistent with the hypothesis that assets become relevant when marriage provides less commitment. This result highlights the role of assets in creating differential value of marriage above and beyond that of nonmarital fertility contracts, even as these alternative contracts are strengthened.

Overall, we find this evidence persuasive of an increasing role of asset ownership in determining who enters into marriage and who does not. This suggests that as the marriage contract has been weakened by various policy changes, wealth increasingly provides access to a more advantageous contract and, thus, confers benefits for family formation beyond those that have been previously considered.

V. Conclusion

The decline of marriage has not been universal: marriage rates have remained persistently high for those who own homes and, more generally, those with more assets. We present a model that provides an explanation for this stratification in collateralization through homeownership making up for the lost contracting security of marriage as divorce has become easier and nonmarital fertility more secure. We demonstrate that a highly general model of investment in a public good with limited commitment can generate the effect that collateralization increases specialization, public goods, and marriage stability. Our model provides the empirical implications that greater access to the commitment technology will lead to more specialization and public good creation.

We show empirical support for this by using idiosyncratic variation in housing prices to proxy for access to the commitment technology, since homes are especially likely to be divided in a way that favors the mother. We show that those families who had a more difficult time purchasing homes upon marriage due to high house prices specialize less within the household, with men working less and women working more, which also shows up in women's wages being higher and men's lower relative to couples with more homeownership access. Our results are robust to a number of alternate specifications, including instrumentation with national housing cycles. We also show that households with more difficult home purchases display less relationship stability and lower public goods, and that women's time is reallocated from home production to work, with no change in leisure.

The model also suggests that since positive assets are needed to collateralize marriage, the value of marriage will be increasing in wealth, and that this gradient in marriage by wealth will substantially increase as marriage and nonmarital fertility become more similar in ways other than their treatment of assets. We test this empirically using the introduction of unilateral divorce and increased ease of nonmarital contracting, showing that both made wealth a stronger predictor of marriage.

Together, our empirical results suggest that those with positive assets will have access to a more advantageous marriage contract, and will more easily specialize and invest in public goods. This problem has worsened over time, matching the transformation of marriage into a luxury good. The model also suggests that investment in homes may be a way of purchasing "divorce insurance," which could potentially lead to the documented overinvestment in homeownership (Fratantoni 1998). Other protections against immiseration resulting from divorce through either the public or private market could potentially increase efficiency and equity, if they were more accessible to all than is homeownership.

From this stem important implications for inequality and poverty traps. Less access to wealth now means a lower ability to secure investments in the next generation, which will lead to strong intergenerational transmission of poverty. Thus, our paper provides microfoundations for an emerging "parenting gap" that may be driving inequality (Doepke and Zilibotti 2019) and the large growth in income-achievement gaps over time (Reardon and Portilla 2016). Moreover, access to wealth, and particularly homeownership, has historically been differential along racial lines, highlighting a new axis of racial disparity.³⁹ Our model suggests a mechanism linking this gap to a corresponding gap in marriage rates documented in Caucutt, Guner, and Rauh (2018); the marital college premium shown in Chiappori, Salanié, and Weiss (2017); and high-investment parenting documented by Ramey and Ramey (2010). Asset ownership and homeownership have not previously been considered as a key enabler of parental investments and, thus, drivers of marital value. This paper presents evidence that it could be an important factor, with stark policy and welfare implications.

³⁹ For example, while the White-Black income gap is large, the White-Black asset gap is *substantially* wider (Kuhn, Schularick, and Steins 2020; Hamilton and Tippet 2015). Moreover, the homeownership gap may be even larger (Charles and Hurst 2002), since on top of the disparity in financial assets, redlining and other forms of discrimination historically limited the ability of non-White individuals to purchase homes.

Our model also suggests that access to the commitment technology facilitates investment in public goods, and thus that a weakened marriage contract may change how families form and invest.⁴⁰ Indeed, the “traditional” division of labor in the household collapsed over the same time period in which the marriage contract was substantially weakened (Sayer 2005).⁴¹ This does not mean a collateralized marriage needs to be a traditional one: as more women increasingly become high earners, it is possible there would be more specialization in the opposite direction if the legal framework supported it. As the marriage contract has weakened, marriage rates have also fallen, indicating that its value may be related to the ability to specialize and insure investments. The way that a limited contracting space may have hampered the efficiency gains from marriage, and therefore eroded marriage’s value for those not able to collateralize the contract, has received limited consideration. By showing that marriage appears more valuable to those able to collateralize the contract, we shed light on the economic value of marriage and how its returns may be unevenly distributed.

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⁴⁰ There of course may be compelling reasons to weaken the marriage contract, such as allowing women to leave abusive situations (Stevenson and Wolfers 2006), but our model highlights some unintended consequences.

⁴¹ Our work thus also relates to literature on rising female labor force participation and the decline in specialization more broadly (Goldin 2006; Fernández 2013; Greenwood, Seshadri, and Yorukoglu 2005).

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