Should I Stay or Should I Go?
Predicting husbands’ and wives’ exit-options and analyzing its impact on marital stability

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As economic theory of family points out individuals enter a marriage when they can reach a higher utility level within a marriage than they can reach as singles. Therefore utility levels in both situations must be compared to each other at any time. Consequently, marriages are dissolved when individuals are better off alone. Women who have to fear utility loss are more likely to stay within her marriages, due to economic dependence. Vice versa, the better the women’s exit-option, the less stable the marriage is. In order to test this assumption most researchers make use of the wife’s labor force participation or earnings during marriage. However, such indicators are merely approximations of her true situation as divorcees. Since the exit-option is unobservable while marriage lasts, in most cases this is as close as it gets.

The alternative approach used here exploits the German Socio-Economic Panel (waves 1984-2011) which covers longitudinally as well as retrospectively collected information. In fact, some exit-options can be observed, when they are realized in case of divorce. In this study, household income two years after divorce is treated as realized exit-option. It is regressed on individual characteristics as well as attributes of their former marriage such as presence and age of children and division of labor within the family. The latter is generated by using complete employment biographies of both spouses. Using coefficients obtained from OLS a hypothetical exit-option can be predicted for husbands and wives for every year of their marriage. Afterwards predicted exit-options are included into logistic regression to analyze the impact of hypothetical exit-options on the risk of marital dissolution. Results show, that risk of divorce decreases with an increase of absolute female exit-option. Even more important, marital stability comes down to relative exit-options of the spouses. The better the women’s hypothetical exit-option compared to her husband’s, the more likely marital dissolution becomes.

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