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# Pierre-André Chiappori. *Matching with Transfers: The Economics of Love and Marriage.* Princeton University Press, 2017, 264 pp. $53, Hardcover.

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## Book review

Family economics is the sub-discipline in labor economics that applies household decision-making processes, household production, and fertility decisions to understanding the family. Gary Becker's 1981 seminal *Treatise on the Family* renewed interest in the study of the economics of the household, and matching has become a foundational topic in family formation. Since Becker's renewed interest revitalized fertility studies and the New Home Economics, various scholars have extended this work into matching and household formation, and few have advanced the research as much as Pierre-André Chiappori. Chiappori has now summarized his and other scholars' work into his book *Matching with Transfers: The Economics of Love and Marriage* (2017).

Matching is the microeconomic technique that describes the formation of mutually beneficial relationships between economic agents over time. Applied to family economics, matching describes the process by which single individuals seek relationships that end in successful families. Whereas search cost models allow for friction and the costs of acquiring information, matching models assume frictionless environments. Moreover, family matching models address input and product exchanges that are intrinsically heterogeneous, which is in contrast to many models that assume homogenous inputs and products. The size and structure of the matching market also have implications in matching models, and assuming similar search costs, thicker markets allow agents greater matching opportunities.

There are three types of matching models: transferable, non-transferable, and imperfect transfer models. To narrow the topic, Chiappori focuses on transferable utility models, which is one of the main topics in the matching literature. There are other important motivations to study matching models and their applications to family economics: unitary models, collective models, and non-cooperative models. The unitary model's approach is equivalent to postulating household preferences that are represented by a household head who makes decisions independent of other household member choices, prices, income, and exogenous factors. Collective household models recognize households consist of several individuals that have distinct utility functions, and household decisions are efficient in that their allocations are always on the Pareto frontier. Household decisions are efficient if they maximize a weighted sum of member utilities. Spouses disagree when allocating public resources or resources shared within the household, which leads to non-Pareto efficient intra-family allocations. Non-cooperative family models assume that members do not always agree and resulting decisions

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systematically conflict. However, non-cooperative models are not common in the matching literature. In all cases, the fundamental problem includes the definition of outcomes for each possible match. The book carefully presents the principles of matching in the context of super modularity and assortativeness, matching surplus, and stability conditions.

After a precise formulation of matching transfer utility models, Chiapporia ddresses unobservable heterogeneity models, the Choo-Siow model, and the econometrics of matching models. Chiappori extends matching models to include pre-investment decisions, such as human capital decisions and education. Households are also a means of sharing risk, and intra-family risk-sharing within the family plays an important role, such as income and risk-sharing over the business cycle (Shore, 2010). Multidimensional matching models that consider the characteristic dimension space are then presented between potential matches. Approximately 50 percent of marriages in the US fail, and the matching literature accounts for divorce and match dissolution by modelling the decision to return to singlehood or recalibrate to a more preferred match.

*Matching with Transfers* provides a comprehensive view for matching models written for the advanced undergraduate, graduate, and seasoned microeconomics professor or researcher who wants to remain informed of recent developments in the field. The book bridges the gap between matching, family economics, and market applications to show how matching has broad applications across labor economics, law and economics, contract theory, and industrial economics. Written as an objective coverage of matching within family economics, it provides the theoretical framework to evaluate how couples match with helpful, illustrative examples in each chapter, and useful section summaries. With *Matching with Transfers*, Chiaporri provides a valuable contribution and summary of the matching and family economics literature.

## References

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