SPLITSVILLE

The Economics of Unilateral Divorce

By Kristie M. Engemann and Michael T. Owyang

Studies have looked at the impact of easier divorce on a variety of things, including women working outside the home, children's education and spousal violence.

A common perception in the United States is that half of all marriages will end in divorce. While this may be true today, it was not always the case. The chart on Page 14 shows that the number of divorces for every 1,000 people rose steadily from 1960 to the early 1980s and has since somewhat declined. The rise in this divorce rate coincided with the time when many states modified their laws, allowing divorce to be initiated unilaterally.

Divorce laws began to change in 1970 when California adopted no-fault divorce; the rest of the country followed suit over the next 15 years. No-fault divorce allowed the courts to dissolve marriages based on, for example, irreconcilable differences rather than requiring the fault of one spouse (e.g., because of adultery). Additionally, more than half of the states adopted unilateral divorce during this time, meaning a divorce no longer required the mutual consent of both spouses.[1]

Altering the family structure—by making divorce easier to obtain—may have economic implications, as well as social consequences. Several studies have explored the effects of such changes in divorce laws on a variety of economic outcomes, some of which we discuss. Among the findings: The presence of unilateral divorce may have led to an increase in married women's labor supply, to a decline in the average educational attainment of girls and to changes in various rates of spousal violence.

In our discussion of these studies, we focus on the effects of enacting unilateral divorce law rather than instituting no-fault divorce.

The Divorce Rate

Perhaps the most obvious impact of enacting unilateral divorce is its effect on the divorce rate. Economist Leora Friedberg used data spanning 1968 to 1988 to examine such effects. Controlling for the year and state, she found that unilateral divorce laws increased the divorce rate by nearly 10 percent of the average over the entire sample period (which was 4.6 divorces per 1,000 people). She also found that different separation requirements and property settlement rules in states with unilateral divorce affected the rate of dissolution differently. For example, unilateral divorce laws with no requirement of separation before divorcing and no-fault property division were associated with the largest increase in divorce—almost 12 percent of the average divorce rate. On the other hand, laws that required no separation but did have fault property division increased divorces by 9 percent. Unilateral laws that required a period of separation raised the rate by less than 5 percent. Overall, Friedberg found that unilateral divorce contributed 17 percent of the increase in the overall divorce rate during her data sample.

Economist Justin Wolfers arrived at a different conclusion, arguing that Friedberg's results overstate the effect of the unilateral divorce laws on the divorce rate. Whereas Friedberg estimated the impact of the laws over her entire sample, Wolfers broke up the effect into two-year increments. He reasoned that, by examining two-year increments and extending the sample to 1956 to 1988, he captured *only* trends that existed before the laws were enacted. Using the same model as Friedberg with only the aforementioned change in sample, Wolfers found that, for the first eight years after a state adopted unilateral divorce, the increase in the divorce rate was two-thirds the size of Friedberg's finding. Furthermore, Wolfers showed that after 10 years, unilateral divorce had negligible effects on the divorce rate. This is in direct contrast to Friedberg's assertion that the laws had a permanent effect on the divorce rate. Both studies, however, agree that unilateral divorce caused some increase in divorce rates, at least in the short term.

Married Women's Labor Supply

Unilateral divorce may also have an effect on married women's incentives to enter the work force. Economist Jeffrey Gray argued that a state's marital property law may influence the degree to which unilateral divorce laws affected a woman's labor market decisions. (See the sidebar at right for an overview of the property division rules and their potential effects on bargaining power.) Using data from several sources, Gray compared married women aged 18-55 who lived in states that adopted unilateral divorce between 1970 and 1974 with women living in states that did not.

Gray found that, after controlling for the type of property law and other variables that may influence a woman's decision to work (e.g., age, education, number of children, husband's income), her bargaining power affected her tendency to work. A married woman in a unilateral divorce state with a community-property law—meaning she would get half of all marital property upon divorce—saw her bargaining power increase and was more likely to work outside the home than a woman in a state without unilateral divorce. In contrast, a woman in a unilateral divorce state that had a common-property law—meaning she would retain only her own property—saw her bargaining power decrease and became less likely to work in the labor market than a married woman not in a unilateral divorce state. These results might indicate women's preferences of working outside the home and men's preferences of having a wife who works in the home.

A variety of other factors, such as whether a couple has children, can also influence whether she enters the labor force. A study by economists Katie Genadek, Wendy Stock and Christiana Stoddard considers which married women increased their labor force participation (LFP) between 1960 and 1990. The authors compared the labor market decisions of married mothers in states that adopted unilateral divorce laws with all other married women. The economists' theory was that the new divorce laws would transfer bargaining power from the mother to the father—regardless of the state's property division law—because wives with children typically have more marriage-specific capital (e.g., from child-rearing) and less labor market capital than their husbands do. This might reduce wives' ability to initiate divorce since it reduces their outside earning opportunities. In order to reclaim some of that bargaining power, wives were more likely to enter the labor force.

After accounting for state, year, demographics and income variables, Genadek, Stock and Stoddard found that married women with young children responded most to a change in divorce laws. For married women with a child under the age of 2, the net effect was an increase in their LFP rate by 2.1 percentage points, relative to nonmothers. When their youngest child was between 2 and 5 years old, women had a participation rate that was 1.6 percentage points higher. The authors found a similar increase in weeks worked the previous year by married mothers of young children.

The type of property law also played a role in women's LFP. Married women with children under the age of 6 increased their participation more for equitable distribution than for other types of property allotment laws. Community property produced the second-highest increase in married women's participation in the labor force.

Hence, in the states with unilateral divorce laws, the increase in the LFP of married women with young children implies that easier divorce would have left them worse off due to the cost of raising children. By entering the labor force, these women were able to increase their bargaining power in the marriage (by raising their threat of leaving).

Dividing Property

Some of the studies also explore the effects of different property division rules subsequent to divorce. The three types of division are community property, common law and equitable distribution.

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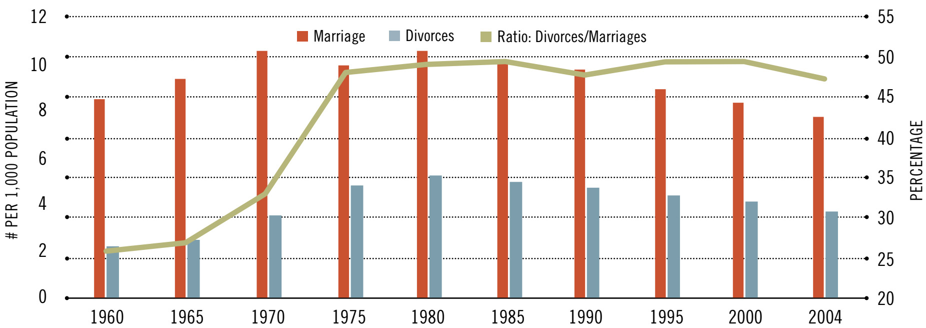
Community property laws distribute equally upon divorce all property acquired during the marriage. Under common law, property is retained by the owner upon divorce; in cases of joint ownership, the property is divided equally between the spouses. Equitable distribution leaves it up to the court to determine fair allotment of the property.

Let's Bargain

Because unilateral divorce made dissolution of marriages easier, people's economic decision-making both prior and subsequent to divorce might depend on which property law prevailed in their state. Bargaining power within a marriage might also be affected. For example, a wife's threat of leaving the marriage might increase if her state has a community-property law because she would get half of everything. In contrast, her threat of leaving might decrease if her state has a common law because, typically, husbands own more property, thus leaving the woman worse off financially. In the first case, the wife's bargaining power increases, and in the second, it decreases.

RATE OF MARRIAGE AND DIVORCE



SOURCE: U.S. National Center for Health Statistics; obtained from various editions of *Statistical Abstract of the United States* (2000, 1995, 1984, 1969) and the U.S. Census Bureau web site: www.census.gov/compendia/statab/tables/07s0119.xls

Marriage-Specific Capital

A change in divorce laws can affect whether a couple decides to invest in marriage-specific capital, which is the subject of a study by Betsey Stevenson. An example of marriage-specific capital occurs when one spouse specializes in household production while the other focuses on market production. Stevenson posited that unilateral divorce leads to, on average, shorter marriage durations and, therefore, reduces the incentive for a couple to make such investments.

To determine what effect unilateral divorce had on several forms of capital, Stevenson examined newlywed couples—those who had been married for two years or less—from the 1970 and 1980 censuses. She compared couples in states that adopted new divorce laws between 1970 and 1980 with those in states that did not. Her study accounted for various factors that might affect marital capital investment, such as the year, state of residence, length of marriage, race, ethnicity, whether the couple lived in a metropolitan area, property division laws that accompanied divorce, and both spouses' age and education. Stevenson found that, in the presence of unilateral divorce laws, the likelihood that one spouse financially supported the other for education during the first two years of marriage was 10 percent lower. The couple was also 8 percent less likely to have children within that time frame. Additionally, both spouses were 8 percent more likely to hold full-time jobs, and the woman was 5 percent more likely to be in the labor force.

Her results suggest that when divorce became easier, couples became less likely to invest in elements related to their marriage. They instead began to focus more on their own careers, perhaps as insurance in the event of marriage dissolution.

Children's Outcomes

A common concern regarding divorce is the potential negative effect it has on children. Economists John Johnson and Christopher Mazingo explored the effects on children's outcomes as adults when they were born in states with unilateral divorce laws. Using data from the 1980 census, Johnson and Mazingo found that, for each additional year a child lived in a state with such laws, his or her parents were 0.6 percentage points more likely to divorce. To determine how this affected children, Johnson and Mazingo examined individuals aged 25-34 during the 1990 census—those who were children at the time unilateral divorce was enacted. The authors compared the outcomes of children born in states that adopted unilateral divorce between 1969 and 1977 and those in states that did not.

Accounting for the number of years exposed to unilateral divorce laws before age 18, Johnson and Mazingo found that educational attainment was negatively affected, more so for women than for men. The largest effect was on women with nine to 12 years of exposure to unilateral divorce, who obtained, on average, 0.12 fewer years of school. Additionally, those same women were less likely to graduate from high school (1.4 percentage points), to obtain an associate's degree (3.2 percentage points) and to obtain a bachelor's degree (2.3 percentage points). For men, the only significant effect was on high school graduation—men with nine to 12 years of exposure were two percentage points less likely to graduate from high school.

Although women's wages were negatively affected by increased exposure to unilateral divorce laws, men's wages were not significantly different. Again, women with nine to 12 years of exposure experienced the largest negative outcomes, earning 3.7 percent less than women who lived in states that did not enact unilateral divorce laws.[2]

Johnson and Mazingo also studied whether exposure to unilateral divorce laws influenced a child's future decisions to marry/divorce and to have children. When analyzing their full sample of data, Johnson and Mazingo found that both men and women who had been exposed to unilateral divorce as children were significantly more likely to be married and less likely to have never been married at the time of the survey. Although women's divorce rate was not affected, the men were slightly less likely to be divorced. Also, growing up in a unilateral divorce state increased the likelihood that a woman had children. For the disaggregated groups, only women with nine to 12 years of exposure had a significantly higher probability of having children than women with no exposure.

Overall, Johnson and Mazingo's results suggest that girls' educational attainment and wages earned as an adult were more negatively affected than boys' by the adoption of unilateral divorce laws during childhood. However, the fact that both were more likely to marry as adults perhaps suggests that easier divorce laws made marriage seem less risky or like less of a commitment.

Spousal Violence

Another unexpected outcome of the adoption of unilateral divorce laws was a change in the rates of spousal violence. Economist Thomas Dee examined the annual number of spousal homicides across states from 1968 to 1978 in order to capture the effect of new divorce laws. During his sample, the average number of spousal homicides was similar for both spouses—19 husbands killed their wives and 17 wives killed their husbands per state per year. Dee argued that unilateral divorce laws could have had several possible effects. First, women could more easily dissolve an abusive marriage. However, the property division after divorce could leave women worse off financially, which might alter one or both spouses' behavior within the marriage. For example, the husband might increase his level of abuse. Additionally, the wife's incentive to kill her husband might increase, whether or not his level of abuse changes, if her alternative is to be left financially destitute in the wake of divorce.

To determine which, if any, outcome occurred, Dee controlled for the state of residence, year and several other factors that might influence spousal homicide (e.g., state personal income per capita and police officers per capita).[3] He found that the adoption of unilateral divorce did not cause a significant change in the number of husbands who killed their wives. However, he found that the number of wives who killed their husbands increased by 20 to 26 percent. Dee then considered whether the marital property treatment mattered for the number of husbands killed by their wives. He found no effect when the state had community-property division, which generally favored wives. However, when a state had equitable-distribution or common-law property treatment, both of which tended to favor husbands, the number increased by one-fourth to one-third. In light of these results, Dee concluded that spousal homicides—in the form of wives killing their husbands—increased when the possibility of unilateral divorce left wives economically disadvantaged.

Economists Betsey Stevenson and Justin Wolfers also examined the effect of unilateral divorce on spousal homicide. Whereas Dee studied the *number* of spousal homicides, Stevenson and Wolfers considered the *rate* of spousal homicide from 1968 to 1994 and found different results. They also controlled for various economic, demographic and social policy factors, as well as criminal justice indicators. Stevenson and Wolfers, contrary to Dee, found no significant change in the rate of husbands killed by their wives. In contrast, unilateral divorce appeared to reduce the rate at which wives were killed by their husbands by 12.6 percent.

Stevenson and Wolfers also examined how unilateral divorce affected the rates of domestic violence and suicide. Using domestic violence data from the Family Violence Surveys in 1976 and 1985, Stevenson and Wolfers found that the rate of husband-on-wife violence decreased by about 36 percent during their sample, but the rate of wife-on-husband violence did not change significantly.[4]

For suicide rates, they used data from the National Center for Health Statistics for 1964 to 1996. After controlling for the state and year, as well as for economic, demographic and social policy factors, the rate of female suicide decreased by an average of 8.3 percent over the 20 years after the adoption of unilateral divorce laws.[5] The effects were larger as more time passed—the rate had decreased by 16.4 percent 19 or more years after the laws had been passed. Overall—and contrary to

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ENDNOTES

1. Background information on changing divorce laws and data on which states adopted unilateral divorce (which excludes states that have unilateral divorce but require a separation period first) were obtained from Friedberg (1998).
2. All regressions include a control for state of residence except for the one involving level of education. The results here from the regression involving wages do not include controls for education because it is also affected by the divorce laws.
3. Additional factors are the unemployment rate, welfare aid per recipient, population, whether the state had the death penalty and the homicide rate by strangers.
4. The surveys were conducted by sociologists Murray Straus and Richard Gelles and only in those two years. Stevenson and Wolfers noted that only intact marriages were examined. As a result, the decline in violence could partly reflect an increase in divorce among abusive couples.
5. There was no significant effect on the male suicide rate.

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"I'm having my wedding ring melted down into a bullet."

continued from Page 15

the study by Dee—Stevenson and Wolfers' study suggests that adults' well-being improved after states adopted unilateral divorce laws.

For Better … or Worse?

These studies demonstrate that unilateral divorce laws may have important economic and social consequences. Combined with laws that determine how property is distributed after divorce, laws that ease the requirements for marriage dissolution can alter marital dynamics by changing incentives and shifting bargaining power between spouses. Some effects of unilateral divorce were positive—e.g., a reduction in the rate of spousal violence—while others were negative—e.g., a reduction in the level of education completed for girls who grew up in unilateral divorce states. Other outcomes, such as an increase in the LFP of mothers with young children, have uncertain ramifications. Ω

See how the number of divorces in each state changed over a 25-year period. Go to www.stlouisfed.org/publications/re.

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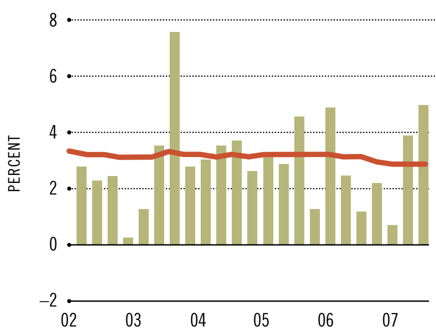
E C O N O M Y   A T   A   G L A N C E

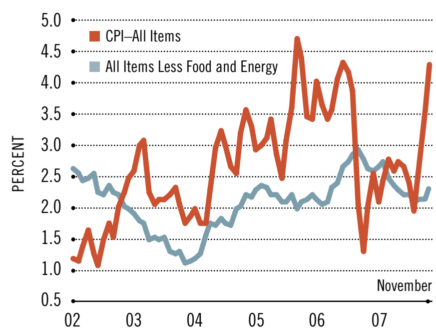
This issue introduces several changes to this Economy at a Glance page. First, we are now plotting market-based measures of long-term inflation expectations. These are spreads between yields on nominal and inflation-adjusted U.S. Treasury securities. Second, to gauge how market expectations of future changes in the federal funds target rate change over time, we are now plotting rates on federal funds futures on selected dates. To make room for these two new charts, we have made the U.S. Crop and Livestock Prices chart a web-only chart. To view this chart and additional web-only charts, go to www.stlouisfed.org/publications/re.

REAL GDP GROWTH



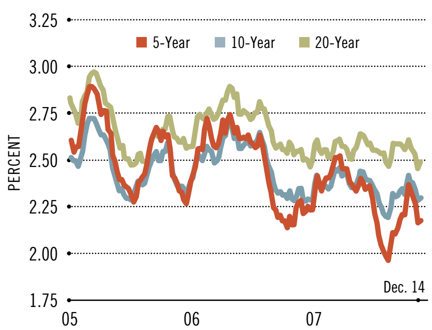
NOTE: Each bar is a one-quarter growth rate (annualized); the red line is the 10-year growth rate.

CONSUMER PRICE INDEX



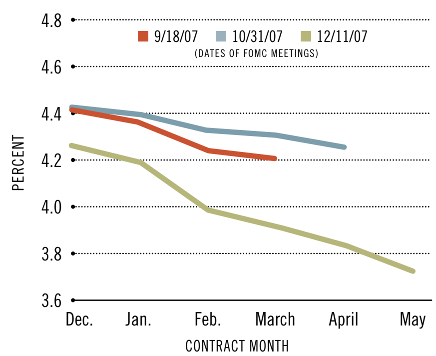
NOTE: Percent change from a year earlier.

INFLATION-INDEXED TREASURY YIELD SPREADS

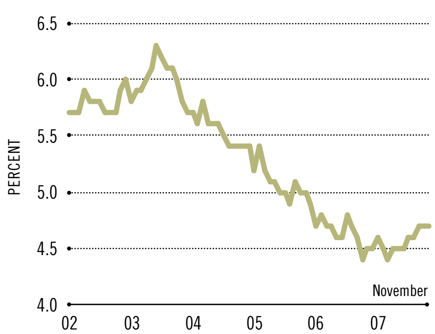


NOTE: Weekly data.

RATES ON FEDERAL FUNDS FUTURES ON SELECTED DATES

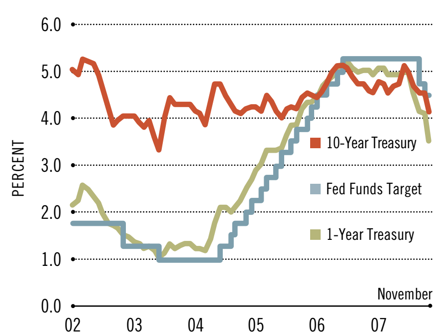


CIVILIAN UNEMPLOYMENT RATE



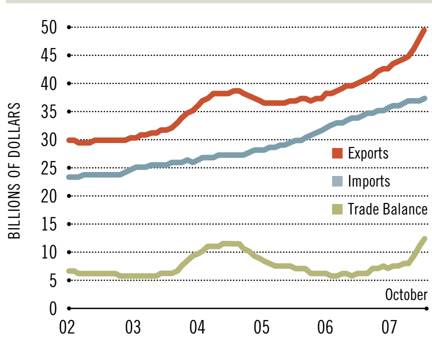
NOTE: Beginning in January 2003, household data reflect revised population controls used in the Current Population Survey.

INTEREST RATES



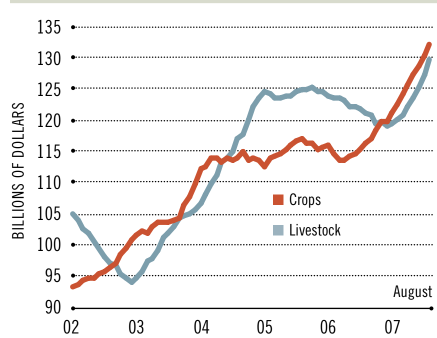
NOTE: Except for the fed funds target, which is end-of-period, data are monthly averages of daily data.

U.S. AGRICULTURAL TRADE



NOTE: Data are aggregated over the past 12 months.

FARMING CASH RECEIPTS



NOTE: Data are aggregated over the past 12 months.