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The Collective Household Model with Competing Pre-Marital Investments

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Abstract

We develop a \collective" model of the household in which spousal incomes are determined by pre-marital investments, the marriage market is characterized by assortative matching, and a sharing rule forms the basis of intra-household allocations. We identify the properties of the sharing rules that are maritally sustainable in this model. We $^-$ nd that the unconditionally e \pm cient outcomes, in which both pre-marital investments and intra-household allocations are e \pm cient, can be supported by intra-marital sharing rules that are consistent with the collective approach. In particular, when marriage does not generate a s

1. Introduction

2. Related Literature

$$u^{\emptyset} \stackrel{!}{\underset{m}{}}^{s} \qquad v^{\emptyset} \stackrel{y_{m}}{y_{m}} - \stackrel{!}{\underset{m}{}^{s}} \qquad \tilde{A}u^{\emptyset} \stackrel{\tilde{A}!}{\underset{f}{}^{s}} \qquad v^{\emptyset} \stackrel{y_{f}}{y_{f}} - \stackrel{!}{\underset{f}{}^{s}}$$

 U_i^s i f; m

$$\forall \ ! \ _{m}^{s} \ ! \ _{f}^{s} \in \ ; \ y_{i} \quad @U_{f}^{s} = @\tilde{A} > \\ \qquad \qquad @U_{i}^{s} = @y_{i}$$

> i f; m

$$\mu;\;\mu\in\;\;\;;$$

$$c_f \quad \mu \; \tilde{A}!_{\;f} \;\; !_{\;m} \qquad \qquad c_m \qquad -\mu \;\; \tilde{A}!_{\;f} \;\; !_{\;m}$$

$$c_f \quad c_m \quad \tilde{A}!_f \quad !_m$$

oentio+E±y $\mathbb{T}D$ 0.012 -0.1012 $\mathbb{T}c$ (c) $\mathbb{T}j$ 6 0 $\mathbb{T}D$ -0.006 3.2. A ssortative \mathbb{M} at ce +m

$$-\tilde{A} \quad -\mu \ u_m^{\mathfrak{J}} \mathfrak{A}_f^{\mathfrak{g}}{}^{\circledast \mathfrak{l}} \qquad -\nu_m^{\mathfrak{l}} \mathfrak{A}_m^{\mathfrak{l}} \qquad -\mu \ u_m^{\mathfrak{l}} \mathfrak{A}_m^{\mathfrak{l}}$$

$$\frac{\tilde{A}\mu u_f^0}{v_f^0} \qquad \frac{-\mu \ u_m^0}{v_m^0}$$

 $g \ w_m$

4. Pareto E± cient Pre-Marital Investments and Intra-Household Allocations

$$\begin{array}{lll} & \text{f! } f; \, \textbf{!} \, {}_{\mathit{m}}; \, \textbf{c}_{\mathit{f}}; \, \textbf{c}_{\mathit{m}} \textbf{g} \end{array} \quad V \, \, \textbf{y}_{m} - \textbf{!} \, \, \textbf{m} \qquad \, \textbf{U} \, \, \textbf{C}_{m} \\ \end{array}$$

$$v \otimes y_m - !_f \quad u c_f \geq !)$$

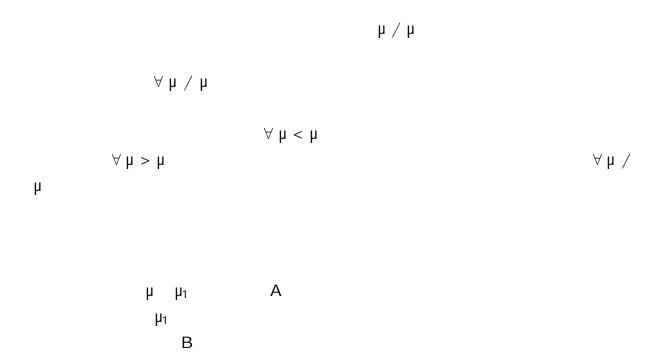
1)

е

m garey TD /F7 11j

fc

c**j**ec



С

 $\mu_2 > \mu_1$

 μ_2

6. The Collective Household with a Marital Surplus

Um isd Bo to \$5 crotic Tetuis-on 264 imeTonh(I) Tj 1 (-) Tj 3.7 0 TD 0.234

$\mathsf{F} \quad \mathsf{M} \qquad \mathsf{G} \; \mathsf{N} \qquad \mathsf{H} \; \mathsf{N} \; \; \forall \; \mathsf{N}$

 $\begin{array}{cccc} \mu_1 & & B; \ C \\ & \mu_2 & F \\ & D; \ E \end{array}$

k

F > M

U_fs C D F > M

 $U_i\ i \quad f;\, m$

 $\forall \ y_m \in \ ; \ Y \quad ^{\circledR} y_m \qquad \hat{A}y_m \quad \hat{A} \ \textbf{Q} \quad ;$

16

F > M $\exists N > G N / I$

F Μ

Ã B; A A; C

B; C \tilde{A} D; E:

B; C D; E

7. Conclusion

8. Refe

MacLeod, W. B. and J. M. Malcomson.

American Economic Review,

Manser, M. and M. Brown.
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Peters, M. and A. Siow. Political Economy,

Journal of

Sen, A.

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Udry, C.
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Figure 2: The Marital Contract Curve

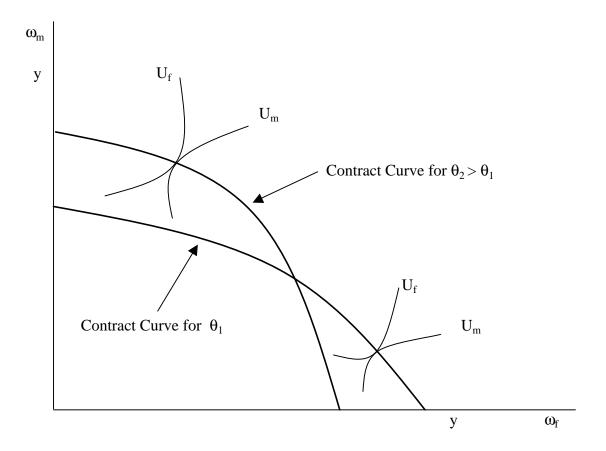


Figure 4:

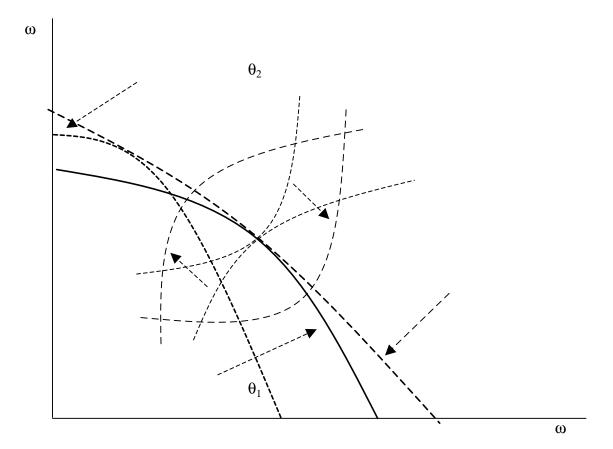
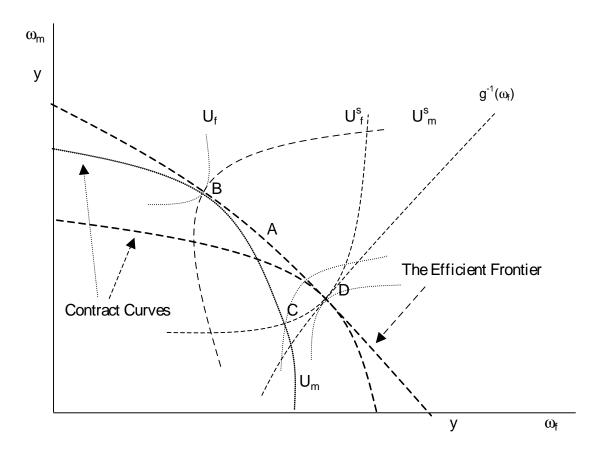
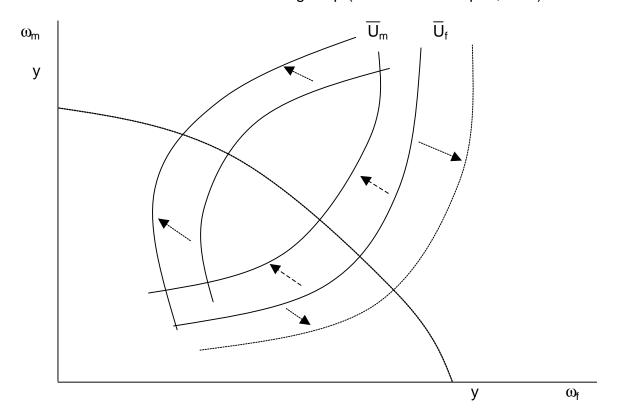
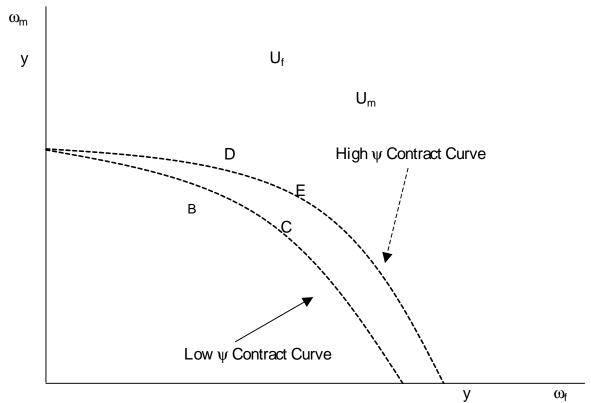


Figure 5: The Efficient Corner Solutions (with a Marital Surplus, k > 1)



The Effect of a Smaller Gender Wage Gap (with a Marital Surplus, k > 1)





 $\label{eq:Figure 6.c:} \textbf{ The Effect of a Change in Distributional Factors (with a Marital Surplus, $k>1$)}$

