

## Dissertation Abstract

“Transaction Costs, Legal Regimes and Intrahousehold Behavior”

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My dissertation applies a property-rights framework with positive transaction costs to household behavior. In each of three chapters, I develop an original theoretical model and then conduct an empirical analysis to test its implications. My research substantiates the view that transaction costs are significant within the household, and it offers an analytical framework to examine previously-ignored aspects of household behavior.

The first chapter is titled “Transaction Costs, Legal Regimes and Divorce.” It serves as my job market paper. The analysis extends H. Elizabeth Peters’ “Marriage and Divorce: Information Constraints and Private Contracting” (1986). Peters introduced two models of intramarital bargaining, which were presented as mutually-exclusive archetypes. I argue those models may be viewed as special cases of a single, three-dimensional framework. The third dimension represents the transaction costs of intramarital exchange. This model implies that divorce laws have a marginal effect on the probability of divorce, and the effect’s magnitude is a positive function of transaction costs.

Therefore the law will not only influence aggregate divorce rates, *ceteris paribus*, but also which types of marriages dissolve.

My second chapter is titled “Diminishing Transaction Costs in Unilateral Divorce States.” It was inspired by empirical analyses that demonstrated divorce rates increased after the introduction of unilateral divorce, but the increase dissipated over time. One explanation for this phenomenon is that unilateral divorce laws encouraged spouses to mitigate the transaction costs of intramarital exchange, which in turn reduced divorce rates. I model how this response might arise. As an empirical test, I examine the relationship between divorce law and the number of marriage and family therapists licensed within a state, assuming that part of a therapist’s role is to strengthen agreements within the household and thus reduce transaction costs. The statistical relationship is consistent with the theory.

My third chapter is titled “Asymmetric Payoffs and the State’s Choice of Marriage Contract.” When individuals engage in an exchange in which the timing of payoffs is asymmetric, a contract is necessary to govern behavior. A referee may be required to ensure compliance with the contract. I apply this concept to marriage and divorce. I develop a theoretical model in which a state’s choice of divorce law is influenced by the symmetry of each spouse’s payoff. The model predicts that states with fewer asymmetries in spousal payoffs would be those to adopt unilateral divorce. Empirical evidence is consistent with the theory.

In summary, these chapters combine to form four arguments about intrahousehold behavior and the legal regimes governing divorce: (1) states respond to marriage market conditions when choosing a marriage contract to offer, and states with high male-to-female ratios were compelled to adopt unilateral divorce; (2) adopting unilateral divorce increased divorce rates, *ceteris paribus*. However, the magnitude of the increase in rates was limited, due to the marriage market successfully matching individuals with positively correlated outside opportunities; (3) the effect of intrahousehold transaction costs varied with the law. Under mutual consent regimes, higher transaction costs reduced divorce. Under unilateral states, higher costs increased divorce; and (4) individuals have more incentive to reduce transaction costs in unilateral divorce states. This mitigation appears to have occurred, and it offers one explanation why over time divorce rates converged in mutual consent and unilateral states.