
Household consumption when the marriage is stable

Laurens Cherchye¹, Thomas Demuynck², Bram De Rock³, and Frederic Vermeulen^{*1}

¹University of Leuven – Belgium

²University of Maastricht – Netherlands

³ECARES – Belgium

Abstract

We develop a novel framework to analyze the structural implications of the marriage market for household consumption. We define a revealed preference characterization of efficient household consumption when the marriage is stable. Stability means that the marriage matching is individually rational and has no blocking pairs. We characterize stable marriage with intrahousehold (consumption) transfers but without assuming transferable utility. We show that our revealed preference characterization generates testable conditions even with a single consumption observation per household and heterogeneous individual preferences across households. The characterization also allows for identifying the intrahousehold decision structure (including the sharing rule) under the same minimalistic assumptions. An application to Dutch household data demonstrates the usefulness of our theoretical results. We find that the female gets a higher income share when her relative wage increases, which we can give a structural interpretation in terms of outside options from marriage that vary with individual wages.

Keywords: both

*Speaker