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journal homepage: [www.elsevier.com/locate/jce](http://www.elsevier.com/locate/jce)Love, money, and parental goods: Does parental matchmaking matter?<sup>☆</sup>Fali Huang<sup>a</sup>, Ginger Zhe Jin<sup>b</sup>, Lixin Colin Xu<sup>c,\*</sup><sup>a</sup> School of Economics, Singapore Management University, 90 Stamford Road 178903, Singapore<sup>b</sup> Department of Economics, University of Maryland & NBER, College Park, 20742 MD, United States<sup>c</sup> World Bank 1818 H Street, N.W. Washington 20433, D.C., United States

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## ABSTRACT

**Huang, Fali, Jin, Ginger Zhe, and Xu, Lixin Colin**—Love, money, and parental goods: Does parental matchmaking matter?

While parental matchmaking has been widespread throughout history and across countries, we know little about the relationship between parental matchmaking and marriage outcomes. Does parental involvement in matchmaking help ensure their needs are better taken care of by married children? This paper finds supportive evidence using a survey of Chinese couples. In particular, parental involvement in matchmaking is associated with having a more submissive wife, a greater number of children, a higher likelihood of having any male children, and a stronger belief of the husband in providing old age support to his parents. These benefits, however, are achieved at the cost of less marital harmony within the couple and lower market income of the wife. The results render support to and extend the findings of (Becker et al., 2015) where parents meddle with children's preferences to ensure their commitment to providing parental goods such as old age support. *Journal of Comparative Economics* 000 (2016) 1–22. School of Economics, Singapore Management University, 90 Stamford Road 178903, Singapore; Department of Economics, University of Maryland & NBER, College Park, 20742 MD, United States; World Bank 1818 H Street, N.W. Washington 20433, D.C., United States.

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\* Corresponding author.

E-mail addresses: [flhuang@smu.edu.sg](mailto:flhuang@smu.edu.sg) (F. Huang), [jin@econ.umd.edu](mailto:jin@econ.umd.edu) (G.Z. Jin), [xu1@worldbank.org](mailto:xu1@worldbank.org), [lxu1@worldbank.org](mailto:lxu1@worldbank.org) (L.C. Xu).<http://dx.doi.org/10.1016/j.jce.2016.09.005>

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## 1. Introduction

Since the pioneering work of Becker (1973; 1974), marriage formation is often modeled as a matching process where males and females meet each other randomly or are assisted by commercial agents (Weiss, 1997). This approach ignores a unique feature of marriage matching: marriage is not simply of two individuals forming a new family; rather, it directly affects the welfare of their parents.

Many “goods” produced by the couple – including their labor market income, household goods and services, children, and old age support – can be sharable and beneficial to parents. Old age support is a prominent example. Throughout history and in many developing countries today, old age support depends critically on children (e.g., Cheung, 1972; Davidson and Ekelund, 1997; Anderson, 2003). How can parents ensure that old age support will be provided by children after they grow up? In traditional China, such provision was ensured by parental *ownership* of children and the cultivation of filial piety (i.e., children submissiveness to parents) (Cheung, 1972). In the modern world, Becker et al. (2015) (BMS 2015 hereafter) argue that, when old age support is mainly provided by adult children, parents will put in resources to meddle with children’s preferences and make them more altruistic towards parents.

In this paper, we show that, by having a say at the stage of spouse searching, parents may be able to get a favorable provision of old age support and other parental goods from their children. This is achieved by nudging the potential spouse choice towards what the parents prefer in light of parental goods to be provided by the couple.

Parental goods refer to market or household goods and services directly consumed by parents, either through household public goods or direct expenditure on parents. For example, married children with high labor market incomes may give parents high income transfer in various forms. Alternatively, children with a low market income may spend more time providing household-produced goods and services (including companionship). A pleasant personality of the spouse often becomes crucial in providing essential emotional and social support for old parents. The presence of a large number of grandchildren may also be considered as an essential contribution of adult children to parental goods, and in particular, having at least one male grandchild can offer extra boost to their satisfaction. As put by Mencius, a key Chinese philosopher from 372–289 B.C., “of the three deeds disrespectful to parents, the worst is to bear no children.”

Parental goods enter the utility function differently from the indirect component of the utility through parental altruism towards children. For example, altruistic parents may derive utility from having a happily married adult child, but the emotional attraction within the couple is not a parental good. Indeed, parental matchmaking may involve a trade-off between children’s welfare and parental goods. In particular, parents who help in matchmaking expect to have a long-term relationship with the couple, and these future interactions may distort the incentive of matchmaking and, therefore, affect the matching outcomes.

Consider a son who chooses between self and parental match-making. His satisfaction with his spouse depends on expected marriage outcomes, including the couple’s joint income, household production, and love. In contrast, parents obtain a spillover from the couple’s market and household production, and being altruistic, they also obtain an altruistic component originating from the son’s welfare from the marriage.

Conflict of interest arises from the parents’ keen interest in the couple’s market and household production. Parents who expect to receive parental goods from their son after his marriage may care less about how attractive his wife is to him and how harmonious the couple’s married life will be, but more about how able she is in contributing to family wealth, offspring, old age support and other household production (Cheung, 1972). Parents may also care more about the compatibility of the daughter-in-law’s preference with their needs, and therefore weigh their harmony with the daughter-in-law more heavily than the harmony between the future couple. As a result, the best wife candidate in the eyes of parents probably differs from what is optimal to the son, even though parents are altruistic and care about the son’s welfare. Thus, parental matchmaking carries an agency cost for the son, but it is beneficial for parental welfare.

Without search costs, the son would prefer self search to avoid the agency cost in parental matchmaking. However, parents and children differ in search costs. On the one hand, parents may face higher search costs for love within the potential couple than the son. On the other hand, parents can have a wide access to potential candidates via their own social networks. Parental search can be a greater advantage if parents are better at judging the candidate’s character and earning ability. Thus, despite the agency costs of parental matching, it is sometimes optimal for the son to choose parental matchmaking because of the saving in search costs.

We incorporate both agency costs and search costs into a theoretical framework, and derive several testable implications. First, love in a marriage should be lower for parent-involved matches than for self-matches. This is because parents value more than their son the monetary and household production components of his marriage, and they have a higher marginal cost in assessing love within the couple. Due to the agency cost, the overall marriage gain to the son, measured by love, income and household production but excluding search cost, would be lower under parent-involved matches than self matches. However, the sharable part of the marriage outcome could be lower or higher under parental matchmaking. It could be higher because parents put more emphasis on sharable market and household production than on love, and the wife who is picked by parents therefore tends to have a higher ability to contribute to the sharable productions. It could be lower when parents overemphasize goods produced within the household and the preservation of the old social structure at the expense of market productivity. In this case, the couple’s market income may be lower in parent-involved matches, but key elements for household production such as the number of children, willingness to provide old age support, and the submissiveness of the wife would increase.

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