



I can't smile without you: Spousal correlation in life satisfaction

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ARTICLE INFO

Article history:

Received 9 May 2008

Received in revised form 11 March 2009

Accepted 12 June 2009

Available online 21 June 2009

JEL classification:

D1

D62

D64

I0

I3

PsycINFO classification:

2950

3020

Keywords:

Life satisfaction

Assortative mating

Spillover

Marriage

Happiness

GMM

ABSTRACT

This paper tests whether one partner's happiness significantly influences the happiness of the other partner. Using 10 waves of the British Household Panel Survey, it utilizes a panel-based GMM methodology to estimate a dynamic model of life satisfaction. The use of the GMM-system estimator corrects for correlated effects of partner's life satisfaction and solves the problem of measurement error bias. The results show that, for both genders, there is a positive and statistically significant spillover effect of life satisfaction that runs from one partner to the other partner in a couple. The positive bias on the estimated spillover effect coming from assortative mating and shared social environment at cross-section is almost offset by the negative bias coming from systematic measurement errors in the way people report their life satisfaction. Moreover, consistent with the spillover effect model, couple dissolution at $t + 1$ is negatively correlated with partners' life satisfaction at t .

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"You see, I feel sad when you're sad, I feel glad when you're glad. If you only knew what I'm going through, I just can't smile without you." – *Barry Manilow*

1. Introduction

The idea that married people care a great deal about the well-being of their partner is not new to economists (Becker, 1973; Becker, 1974; Friedman, 1986). The past three decades have seen a significant increase in the number of studies showing that people in marriage tend to behave altruistically towards their partner (see, for example, Ermisch, 2003; Foster & Rosenzweig, 2001). However, while it may be possible to make some inferences about the degree of caring between partners

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from their behaviour, the idea that there may be a direct spillover of well-being from one partner to the other has rarely been tested empirically.

This paper aims to do just that. Using a long-run panel of nationally representative randomly sampled married and cohabiting individuals, it examines the extent of spousal correlation in subjective well-being data, particularly self-rated life satisfaction (LS). It proposes that a positive correlation between partners' LS may reflect three distinct processes. First, individuals who are born happy or are born with innate predispositions that make them happy may tend to marry those who are similar to them. In addition to this, people of the same family background or life styles – in other words, same unobserved social factors – may also tend to marry each other. This matching of fixed personal characteristics on the marriage market is analogous to the concept of assortative mating (Becker, 1974). Manski (1995) refers to such phenomena as correlated effects of social interactions.

Second, given that marriage allows individuals to share with their partner the kind of physical and emotional resources that may not be available for each person to obtain outside marriage (Waite & Gallagher, 2000), correlated effects may also arise from the shared social environment (which can either be time-invariant or time-variant) that is simultaneously affecting LS for both spouses.

Lastly, the observed correlation may be the result of a direct spillover of LS within the couple. The idea is that, if a husband cares about his wife, then her LS becomes one of the main determinants of his own LS, and vice versa. This generates a possibility that a husband will be *ceteris paribus* happier when his wife is happier for whatever reasons that make her happy but not him directly. Hence, we would expect an increase in one partner's LS to be positively correlated with the other partner's LS even after allowing for all the factors that can affect both partners' LS at the same time. This phenomenon is likened to the endogenous effects in Manski's terminology, whereby the individual outcome is a function of group achievement.

In addition to the above confounding influences which make it difficult for the true relationship between partners' well-being to be identified, the estimates of spousal correlation in LS may also suffer from the negative measurement error bias. There may be, for example, a tendency for individuals to misreport their true LS in surveys. The low signal-to-noise ratio caused by misreporting can result in an estimated coefficient on partner LS that is biased towards zero in a large sample. In short, because there are both positive (correlated effects) and negative (measurement error) biases involved, the direction of bias is unclear on *a priori* ground.

This paper uses 10 waves of the British Household Panel Survey (BHPS) data to examine the extent of spousal correlation in LS. In particular, it uses the "system GMM estimator" proposed by Arellano and Bover (1995) and Blundell and Bond (1998) to estimate the causal spillover effect that runs from one partner's life satisfaction to the other partner's life satisfaction. The use of the GMM-system estimator, which is a unique approach in the study of happiness, control for the correlated effects and solve the problem of measurement error bias in self-rated life satisfaction through instrumentations and first-differencing. The results show that there is strong evidence of a spillover effect of LS, which suggests that well-being is transferable from one partner to the other. Consistent with the spillover effect model, partners' LS today are also associated with lower probabilities of partners separating or divorcing one period into the future.

There are similarities in terms of research questions and analytic strategy between this paper and previous studies that examined similarities in a husband's and wife's behaviour such as smoking (Clark & Etile, 2006), their political preferences (Kan & Heath, 2006), and their sporting activities (Farrell & Shields, 2002).

This article is organised as follows: Section 2 reviews relevant past research on marriage and well-being. Section 3 addresses theoretical issues revolving around the various interpretations of the correlation between partners' LS. Section 4 describes how to implement a test and the data set. Section 5 discusses the results, and Section 6 concludes.

2. Marriage, subjective well-being, and spillovers

Previous research on marital status and emotional well-being is clear on one point: married persons are significantly happier and more satisfied with life than those who are divorced, separated, widowed, or single, across various countries and time periods (Gove, Hughes, & Style, 1983; Marks & Lambert, 1998; Mastekaasa, 1994). The large psychological benefits of marriage persist even when the selection of happy people into marriage is controlled for in the analysis (Frey & Stutzer, 2006; Mastekaasa, 1992), and such advantages are sometimes shown to be stronger for men than for women (see, for example, Gove et al., 1983). Both cross-sectional and longitudinal studies confirm the overall psychological benefits of marriage (for a review, see Oswald & Wilson, 2005).

There are several explanations for the protective effects of marriage. First, on the grounds that two can live almost cheaply as one, marriage may work simply because it provides higher real income per partner (Korenman & Neumark, 1991; Loh, 1996; Smock, Manning, & Gupta, 1999). Second, marriage provides the couple with a source of constant emotional and instrumental support, which may act as an important buffer against stress and depression for the person who experiences negative shocks in life events (Berkman, 1988; Marks & Lambert, 1998). In other words, the negative impacts of shocks in life events appear to be significantly lower for married individuals than for those of other marital groups. Third, marriage provides the couple with a sense of belonging and social reality, in which they are the only two people living and operating in their own world. This shared sense of meaning can be an important foundation for emotional well-being (Berger & Kellner, 1964; House, Robbins, & Metzner, 1982). Marriage also encourages people to engage less in risky activities and more in healthy ones – perhaps for the sake of their partner. For example, married people smoke and drink less, and such healthy

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