

Dynamic frictionless marriage matching: commitment and household behaviour*

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Abstract

This paper developed a lifecycle frictionless equilibrium matching of the marriage market with endogenous divorce, remarriage, time allocation, and human capital accumulation in an imperfectly transferrable utility setting. Allocation of resources with the household is characterized by a constrained Pareto problem under two different protocols. The first is characterized by one period commitment (i.e. households renegotiate consumption and time allocation plans every period) and Nash bargaining with divorce as the treat point. The second, is characterized by limit commitment enforced by a participation constraint, with renegotiation taking place only when a member of the household's participation constraint is violation. The paper provides sufficient conditions for existence and uniqueness of equilibrium.

The paper explores identification and estimation of the class of models developed. Estimating the class of models on data from the American Community Survey (ACS) and the Panel Study of Income Dynamic(PSID). Preliminary results show that frictionless dynamic matching models are able to reproduce the joint life-cycle dynamics of time allocation, marriage, divorce, and remarriage.

Keywords: Marriage, divorce, collective household models, life-cycle, search and matching, intrahousehold allocation, structural estimation.

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