

The Fiscal Costs of Marriage and Divorce

By JUSTIN WOLFERS

This morning's inbox leads me to two observations:

- 1) There is some excellent research out there about marriage and divorce.
- 2) There is no shortage of ways for imaginative advocates to distort the findings of this research.

Let me begin with the first point: [an intriguing paper](#) by **Elizabeth Ananat** and **Guy Michaels**, forthcoming in the *Journal of Human Resources*.

A key problem with research linking divorce and income is that we can't tell whether divorce causes lower income, or whether lower income (or its correlates) cause divorce. This observation leads these economists to analyze a set of divorces that are somewhat random.

Following [an idea developed by Gordon Dahl and Enrico Moretti](#), they note that people have a greater tendency to divorce if their first-born was a girl. Reasoning that the gender of the child is random, they explore the consequences of this higher divorce risk on income.

A similar approach led **Kelly Bedard** and **Olivier Deschenes** to a rather striking conclusion: divorce may not be financially harmful to women. They find that divorce actually led women to live in households with greater income per person. (To be more precise, they argue that the marginal divorces caused by the gender of the first-born led women to live in higher income households.)

And Ananat and Michaels agree, finding similar effects. They then slice and dice this surprising finding, concluding that divorce may raise incomes on average, but it leads some women to lower incomes, and some to higher incomes. Those who gain tend to be in a (slight) minority, but they tend to gain more, which explains the rise in average income.

And now the second point.

A [new report](#) was released this morning by the Institute for American Values, the Institute for Marriage and Public Policy, the Georgia Family Council, and Families Northwest, using the Ananat-Michaels result to argue that family fragmentation costs the U.S. taxpayer \$112 billion per year, or \$1 trillion each decade.

How do these personal gains add up to a taxpayer loss? It is simple: in “advocacy science” one can pick and choose what to count. In this case they counted costs and ignored benefits.

The advocates suggest that the Ananat-Michaels results imply that if poor single women were to marry, around 60 percent of them would no longer be in poverty, leading to a decline in total poverty of about one-third. Thus, they attribute one-third of the cost of anti-poverty programs to the costs of “family fragmentation”. Citing research by **Harry Holzer** linking childhood poverty to crime, they also attribute one-third of the costs of poverty-related crime to divorce, and also attribute further tax costs to the intergenerational transmission of poverty. Add enough of this stuff up, and you hit over \$100 billion per year.

What’s the trick here?

The Ananat-Michaels result is that divorce seems to help the finances of about as many women as it hurts, and those who gain, may gain more than those who lose. But this report counts up the costs to the taxpayer from the women who lose income, but refuses to count even a single dollar of the rise in taxes linked to those who gain income. Moreover, these winners are not only paying higher taxes — their kids are probably also committing less crimes, and they hope to transmit their higher economic status to their kids, who in turn will also pay more taxes. Moreover, the link between divorce and crime is not so obvious — as dissolving violent marriages reduces domestic violence.

Amazingly, the advocates put together “fiscal” costs of divorce without even understanding the tax code. The U.S. tax system is structured so that when poor single mothers marry men with higher incomes, in most cases, the total tax paid by husband and wife would fall. Yet this isn’t counted.

Those poor single women aren’t robbing us of tax revenue, they are actually paying more than if they were married! (Yes, the tax code

does include a marriage penalty for some couples who are both high earners, but for most couples, the U.S. gives you a tax break for getting married.)

And finally, the advocates fundamentally miss what marriage is about.

Many of the gains from marriage that they count are gains mainly from forcing poor single women to live with others, thereby realizing economies of scale. If there is a fiscal case to be made for encouraging such behavior, the same fiscal case suggests we should encourage them to live with just about anyone — a same-sex lover, a polygamous family, or even with good friends. Yet for some reason, the advocates seem reluctant to extend their argument to its natural conclusion.

Perhaps the fact that many women are willing to face the prospect of poverty to get out of their marriages tells us that, beyond fiscal implications, there are other, more important, costs and benefits of marriage and divorce that also need to be counted.

I must admit that I find the Ananat-Michaels result surprising and interesting. And there remains a lot to be learned about the effects of divorce on the income of divorcees, or on its fiscal impact more generally.

But the first law of advocacy science coincides with a well-known economic principle: any cost-benefit analysis that only looks at one side of the ledger will always come to a reliable conclusion.

[Thanks to **Betsey Stevenson** for her insights on this post.]

RESPONSE POSTED ON April 16, 2008 by Dr. Ben Scafidi, principal investigator of The “Taxpayer Costs of Divorce and Unwed Childbearing:”

8:32 pm

As the primary investigator of the so-called “advocacy” research, I must correct five of the incorrect statements in this post. I also make three comments at the end.

1) The thought experiment in the report (listed in footnote 9 on page 39) is what would taxpayers save if all households headed by single females were instead married households. Thus, the results of Ananat and Michaels support the

findings that marriage would reduce poverty. The report is available at www.americanvalues.com

2) The use of the figure that 60% of female headed households would be lifted out of poverty via marriage is NOT based on Ananat and Michaels. As the report indicates on pages 10-11, this 60% figure is based on a published study by Brookings Institution scholars Isabel Sawhill and Adam Thomas, who estimate this figure to be 65.4%. (I use 60% in the interest of caution.) Sawhill and Thomas have the lowest estimate in the literature.

3) Interestingly, the best know scholar on the marriage tax penalty is listed as a project advisor on page 4. When I asked him whether I needed to worry about the marriage tax penalty, he responded that given recent tax law changes it is “not big enough to worry about any more.”

4) While more evidence is definitely needed, the post is incorrect that divorce or remarriage could lead to lower crime rates. This conclusion is not justified based on the available literature (see Harper and McLanahan cited in the report).

5) The report suggests that certainly some divorces are beneficial to women and children, for example (footnote 25, page 40). Also, the report makes no recommendations.

Three comments:

1) The opening sentence of the post is incorrect. We need a lot more research on marriage and family. That would have made my job a lot easier!

2) The post accuses the report of omissions of one side of the ledger. Given my thought experiment in the report, this statement is incorrect. But what did the post omit? (a) That I exclude 71% of Medicaid costs from my estimate of the taxpayer cost of family fragmentation. (b) That I exclude the \$40B EITC program from my taxpayer cost of family fragmentation. (c) That my methods suggest that 8.7% of costs to the justice system can be attributed to family fragmentation, when over 56% of jail inmates nationwide grew up in fragmented families most of their youth and 35% of cases filed with the GA State Superior Courts are domestic relations cases. (d) Almost every single person who received housing assistance from the Atlanta Housing Authority lives in a single adult household, while my methods attribute on 31.7% of these costs to family fragmentation. Another Brookings scholar said publicly, “Ben said he wanted to underestimate the

taxpayer cost of family fragmentation. I think he succeeded too well.” I did not see any news reports that mentioned his quote.

3) What if i told you there was a study published in 2003 that found that unilateral divorce laws did not seem to decrease murders of female spouses. In that 2003 paper, published by a prolific Swarthmore economist, there is a detailed critique of a 2000 working paper that found unilateral divorce laws led to a decrease of murder of female spouses. Then, the 2000 paper is published in 2006 and barely mentions the 2003 paper. In fact, it mentions none of the detailed critiques of the paper published 3 years earlier, that used the same data, etc. Did the 2006 paper adequately address the concerns of the 2003 paper????

please see footnote 25 on page 40 of the report. The 2006 paper can be construed as “advocacy” research because it seems to have ignored legitimate concerns raised about its methods. If the 2006 paper did address those concerns, I look forward to reading a point by point rebuttal—such a rebuttal was not present in the 2006 paper.

By the way, the 2006 paper was by Stevenson and Wolfers and received wide media attention.

There were other errors in the post, but I have two kids who should be in bed who are running around.

— Posted by Ben Scafidi, principal investigator of the report