Economics

Department Alumni Newsletter

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Box the books, pack the pencils -- *we're moving.* To McElhaney Hall. No. Don't worry. It's being rebuilt -- just for us.

When the new Eberly College of Business building -- strategically located between the Miller Stadium astroturf and the Kovalchik salvage yard -- opened in January, McElhaney was abandoned. Within weeks contractors arrived to gut the structure and rebuild from the basement up. New interior walls, new wiring, new plumbing, new windows, new *air conditioning*, even new terraces and landscaping. We get the top floor; the penthouse.

Although the actual move is still eight months away, we're salivating over the floor plans. A seminar room, a small library for quiet study and make-up exams...even a skylight at the end of the corridor! Better yet, new offices. Offices large enough to accomodate *TWO* students at the same time. Offices with *windows. Big* windows. Windows that actually *open. Yes!*

Alas. One lone dissenting member wants to remain. In his youth, Jerry Holt attended the Keith School on campus. From kindergarten through ninth grade, Jerry roamed the corridors of Keith. Each school morning he hung his coat in a Keith Hall locker and stood to recite the Pledge of Allegiance in a Keith Hall classroom. He sweated over tests, fired spitballs at student teachers, and mooned over the pretty little girls across the aisle. He even shot hoops! His Junior High Keith School basketball team played in the very gymasium later converted into the Department of Economics. Jerry's current desk sits where Keith School students stood on the bleachers to watch his games. The ring of their distant cheers still echo through the evening air; the same baskets scorched by Jerry's blistering set shots still hang above the suspended ceilings of our offices -- a silent tribute to his athletic glory. Would you leave? Would you trade your memories for a window?

At last...Spring!

Signs of spring have sprouted around campus. The grounds crew is out shoveling away the residue of an unusually ugly winter and planting petunias. The newly-thawed turf in front of Keith Hall again hosts daily pick-up games of football, soccer and rugby, and student attire has taken a noticeable turn. Parkas and wool sweaters have given way to t-shirts and the classrooms are filled with winter-white knees peeking out beneath shorts and cut-off jeans.

Our own harbinger of spring -- Art Martel -- is back in town after a month of serious and intensive study in Florida. After discussing a possible course in the Economics of Sport with Nick Karatjas, Art used his first-ever IUP sabbatical to scout out the Red Sox and Pirates at baseball's spring training. Twenty-one games in twenty-five days. His research results? Jose Canseco's bat will help the Sox, but rookie Pirate catcher Jason Kendall has a suspect throwing arm.

Shipping the Good Apples Out

When my sons were young, I made the annual and obligatory trek to a *"cut your own"* Christmas tree farm. What a great experience. The wind would make my eyes water and freeze tears to my cheeks. The ground snow would work its way around my boots, drip down my ankles and wrap my toes in icy molds. After about ten minutes and/or one hundred yards of arctic chill, the boys would plead to cut down the closest conifer and return to the cozy comfort of the car.

Regrettably, children have short memories. Each year, forgetting red noses of the past, they begged to repeat the ritual. So......we did. Each year I returned to the farms, bow saw in one hand and a child on the other, looking for the perfect tree.

And that was the problem. The perfect tree was hard to find. Christmas trees were everywhere, but most were too short or too tall, too scrawny or too full, with bulges or holes in all the wrong places. You couldn't just walk into the field and cut the first available tree. You had to hunt...and hunt...and hunt. And get colder...and colder..and colder. By the time fathers like me hit the fields, the best trees were gone. The best trees had already been harvested and trucked off to distant lands. Shipped out.

At least I knew why. Armen Alchian and Robert Allen nailed it more than thirty years ago with their *"Shipping the Good Apples Out"* theory. Alchian and Allen correctly noted that demand patterns are determined by *relative* prices, not absolute prices. Changes in *relative* prices cause consumers to substitute among goods and services. When the relative price of a good rises, consumers shift purchases to other substitutes and vice versa. As a result, Alchian and Allen hypothesized that high transportation costs change relative prices and cause consumers to substitute toward higher-valued goods. Why? Glad you asked!

Imagine that an orchard stand outside Kalamazoo, Michigan charges $1 for a bag of "standard" apples and $2 for a bag of "choice" apples. The choice apples are twice as expensive. In economic terms, the opportunity cost of a choice apple is two standard apples. However, consumers in Phoenix must pay to transport the apples to their local stores. If transportation costs are $3 per bag, those same Michigan apples will be costlier. The standard apples will cost $4 per bag and the choice apples will cost $5 per bag.

Are you catching on? Transportation costs raised the *absolute* price of choice apples in Phoenix, but lowered their *relative* price. The choice apples were twice the cost of standard apples in Kalamazoo [$2 versus $1], but are only 25 percent more expensive in Phoenix [$5 versus $4]. A choice apple cost two standard apples in Kalamazoo, but only 1 1/4 standard apples in Phoenix. Choice apples are relatively cheaper in Phoenix than in Kalamazoo! Similarly, standard apples are relatively cheaper in Kalamazoo. The standard apple costs only 1/2 a choice apple in Kalamazoo [$1 versus $2], but cost 4/5 a choice apple in Phoenix [$4 versus $5].

Ah! If choice apples are relatively cheaper in Phoenix, their relative demand in Phoenix should be greater. A profit-maximizing orchard will ship the choice apples out to Phoenix and stock its local stands with standard apples.

Kalamazoo will ship the good apples out, Boise will ship the good potatoes out, Colombia will ship the good coffee out, and Indiana will ship the good Christmas trees out. Fathers and sons can't find the perfect tree; it's already sitting on a lot in Baltimore.

The theory also works when consumers travel to the product. It should not matter if the goods are

shipped to the buyer or the buyer is "shipped" to the goods! For example, suppose a *choice* seat at a college football game costs $40 while a *standard* seat costs $20. To a local fan, the choice seat is twice as expensive, but to the fan who spends $80 to travel 300 miles to see the game, a package with the choice seat is only 20 percent more expensive than one with a standard seat [$120 versus $100]. If the relative price of the choice seat package is lower, the relative demand should be higher. Indeed, economists at Clemson University recently found that fans who travel the farthest to Clemson Tiger games buy the best seats.

Want more? Those of you with young children -- after contracting to pay $10 for a babysitter, do you head to McDonald's? Probably not. Hiring the babysitter lowers the relative price of an outing to a more elegant eatery. A $20 meal in a nicer restaurant would normally be four times the expense of a $5 McDonald's outing. But, after tacking on the $10 babysitter fee, a trip to the more expensive eatery costs $30; only twice the McDonald's cost of $15. Couples hiring babysitters, all else equal, are more apt to dine in style.

Ho, Ho, Ho!

Steve Campbell ('85) sent the following, along with a note that "Jokes like this are giving economics a bad name!"

.....Following a round of golf, a priest, a psychologist, and an economist retired to the clubhouse for refreshment. During their libations they loudly complained about two men who had played in front of them. These two were everywhere. They hit in the woods, in the water, everywhere but the fairway. And, they never let anyone play through.

In the midst of the lamentation, the bartender approached and said, "If you keep complaining about those two gentlemen, you'll have to leave. Those men are heros. They were firemen who, about a year ago, rushed into a burning home and saved seven children. Unfortunately, the men were blinded during the rescue. As a way of thanking them, we let them golf for free whenever they want."

The priest replied, "I couldn't feel worse. If you excuse me, I'll return to my church to pray for the gentlemen." The psychologist added, "I feel terrible as well. If they ever need counseling, I'll provide free of charge." The economist, after a puzzled interlude, asked, "Why don't you tell them to play at night?"

HELP!

As a high school student looking for his first summer job, I pounded the pavements filling out employment applications at every establishment possible -- including a large local department store. Two days later I received a call from the store manager offering me a position in his advertising department keeping track of sales results, putting up store displays and dressing window mannequins. Yes, I have an impressive background in *haute couture!*

I assumed that my awe-inspiring application had won the day. But, no dice. The manager had not even consulted the applications on file. He simply asked his next-door neighbor if she knew anyone looking for a summer job. A good friend, she recommended me.

Despite those magnificent labor market graphs of marginal productivity, it's still often true that the key to getting one's foot in the right career door can be *"who you know, not what you know."* Current

students face the same hurdles.

A degree in economics can lead in so many directions that undergraduates have a difficult time in focusing on potential employers and/or career paths. They ask what firms hire economic grads; what jobs are available; what coursework do employers prefer? They want specifics about what particular jobs are like and how to network and how to get noticed. A bright and motivated undergraduate approached me last week asking how to go about applying for jobs. Like many others, he was unsure of how to begin. Where to start? Where to look? While those of us on the faculty help as much as possible, our own knowledge is limited. We've not had to compete in the private job market for years. But, many of you have just what our students need: personal experience -- even battle scars -- and personal knowledge.

Will you share it? IUP's Office of Alumni Affairs has developed a new Alumni Career Consultant Program to help bridge the gap between the classroom and the job market. Undergraduates will be able to contact volunteers currently working in their fields of interest. We don't expect alumni to hire our undergraduates -- *although that would not upset us!* We're not asking alumni to serve as *de facto* placement agencies. We are merely looking for alumni willing to share employment information via telephone or personal interviews; to help mentor current IUP undergraduates as they enter the employment maze.

The program is new; and I am gratified that economics alumni are already well-represented on the Office of Alumni Affairs list of volunteers. But, we could use more. Alumni Affairs will monitor contacts to ensure that volunteers are not overwhelmed. Volunteers should not receive more than two or three requests per year. The more volunteers we attract, the more students we can serve. If you can help, please contact Ms. Valerie Sutton *(what a great IUP name!)*, Office of Alumni Affairs, IUP, Indiana, PA 15705. Ms. Sutton may also be reached by phone at 412-357-7942 or by e-mail at gvsd@grove.iup.edu.

Contacts in this university-wide program would not be limited to economics majors. For example, an insurance underwriter might be contacted by a finance major or a math major. If you are interested, but prefer to restrict contacts to economics majors, let me know. We can do it.

FLAT TAXES

Politicians and reporters have a remarkable knack for garbling economic issues beyond recognition. Flat tax schemes are the latest fatality. Steve Forbes and his checkbook have been bounced from the race, but flat tax issues remain. $24 million in personal funds couldn't buy the Republican nomination, but it certainly procured media hype.

We economists thought we understood flat taxes. Public finance specialists have dispassionately discussed the pros and cons of flat taxes for years. Regrettably, with partisan political proposals popping up everywhere, the issues have become hopelessly entangled. What do you want? Lower taxes? Fairer taxes? Accelerated economic growth? Postcard-sized tax returns that can be completed in five minutes? A chicken in every pot? Step right up. Someone has promised that a flat tax will deliver.

While Forbes' plan propelled flat tax concerns into the political limelight, his is only one of many versions vying for consideration. Mutant renditions have been advanced by Domenici and Nunn, Armey, Mack, Buchanan, Gramm, Gephart, Spector, Solomon and Souder, Archer and Lugar, Gibbons, and Kemp. Have I missed any? Probably. Things sprout very quickly when the fertilizer is deep enough.

What are the issues? Let's isolate the pieces.

Flat rates

By definition, a flat tax simply taxes all income at the same rate. In other words, a flat tax would replace the current five-tier structure of personal income tax rates (15%, 28%, 31%, 36% and 39.6%) into a single levy. To be revenue-neutral, a flat tax would raise the marginal tax rates at the bottom of the income distribution and lower them at the top. Most plans promote a larger personal exemption to cushion the damage to low-income families, but larger exemptions would necessitate a higher tax rate for others.

The root issue is whether or not the current system of progressive rates should be continued. Proponents argue that progressive rates minimize the amount of overall pain or sacrifice caused by taxation. They invoke the principle of *diminishing marginal utility*. If additional dollars of income generate less marginal utility or value to the earner, taxing dollars away from a wealthy family will cause less pain than taxing the same dollars from a poorer one. Thus, progressive rates require less total taxpayer sacrifice -- and retain more total taxpayer value -- than flat rates.

Redistribution concerns are equally important. Cheerleaders for the current structure insist that income redistribution is a legitimate and important social goal; one which is efficiently achieved by progressive rates.

Of course, not everyone agrees. Even if additional dollars of income beget less and less value for a particular consumer, comparisons across consumers may be inappropriate. Perhaps amassing wealth is more important to some families than to others. If so, the value of additional dollars to wealthier taxpayers might plausibly be just as high as to poorer taxpayers.

Economists who place a high priority on income redistribution typically favor progressive rates. Others do not. Do progressive rates make good economic sense? You decide.

Broader tax base

In addition to flattening rates, Forbes and others seek to broaden the tax base by deep-sixing deductions. A broader base can lower marginal rates for everyone. The more dollars we have to tax, the less we have to squeeze. Mortgage interest, charitable deductions, state and local taxes, and medical expenses -- including employer-paid insurance and other fringe benefits -- all appear on one or more hit lists.

Economists often cheer such moves. By trimming marginal rates while wiping out a broad array of tax dodges and shelters, the Tax Reform Act of 1986 won wide applause. Many of the ersatz loopholes served only to line the pockets of special-interest groups. And, economists recognize that lower marginal rates could kindle new incentives to work and produce. Why go that extra mile if Uncle Sam is poised to grab a hefty chunk of additional earnings away from you?

Should we go further? Should we eliminate still more deductions? Should we cut rates even more? Some of the earlier rate changes have been reversed. The top marginal rate, cut to 28% in 1986, has been hiked back to 39.6% in recent years. Should we revisit them again?

First, the impact of these incentive effects is disputed. Although Reagan supply-siders continue to insist that the impacts are large, our empirical evidence is less convincing. Few researchers find any consistent linkage between changes in personal income tax rates and changes in work effort. For example, I seldom check marginal tax rates before deciding how much effort to expend on the job. Do you? To the extent

that lower marginal tax rates breed new vigor in the labor force, the impacts are probably small.

Second, most of the easy loopholes have already been plugged. The remaining deductions benefit millions of taxpayers and were intended to advance such social goals as home ownership, charitable giving, and relief for those with staggering health bills. Eliminating these deductions could wreak havoc in real estate markets and create real hardship for charitable organizations and families with extraordinary medical expenses.

The relevant discussions should focus on which deductions promote legitimate social goals, not on whose taxes will rise or fall. Which deductions are important? You decide.

Elimination of taxes on dividends and interest

Several schemes would eliminate personal taxes on dividends and interest income. While liberal critics wail that this would allow the idle rich to escape taxation, conservatives howl "*Untrue!*"

After all, profits are already taxed at the corporate level. Dumping an extra tax on personal dividends and interest income -- paid out of already-taxed profits -- amounts to *double taxation.* According to conservatives, erasing personal taxes on interest and dividends does not allow recipients to escape taxation, it merely halts the punitive double-hit that such income would otherwise bear.

[Note: Because firms now treat interest payments as a business expense rather than part of profits, the double-taxation argument applies only to dividends under current law. However, Forbes and others propose ending this distinction and treating interest payments, like dividends, as part of profit. In that way, interest, like dividends, would come from already-taxed dollars.]

Alas. The double taxation story is more complex. It depends on who actually pays the corporate income tax. If the tax is paid by stockholders, the current system does create double taxation. We first tax profits at their source, then sock them again by taxing the funds paid out as dividends and interest to stockholders and bondholders.

But, suppose corporations can shift the burden of the tax to consumers. Suppose, in response to income taxes, firms raise prices to try to protect profit levels. If they are successful, consumers end up paying for the tax through increased prices; the firm's investors escape unscathed. In this scenario, the liberals are correct. The only way to reach corporate investors is through personal taxes on interest and dividends received.

Who's right? *We don't know!* Economists have studied the incidence of the corporate income tax for forty years -- with conflicting results. Some researchers conclude that the corporate income tax is borne by stockholders through reduced profits; others find that the tax is passed on to consumers through higher prices. Maybe it is some of each.

Ah. Double taxation is not the only issue. Most flat tax advocates also claim that lower tax rates on dividends and interest will stimulate savings, investment and economic growth. The argument is familiar. Lowering the tax rate raises the effective, after-tax return people can earn on their savings. The higher potential return encourages them to save rather than consume. The extra saving, in turn, allows firms to attract the funds needed to expand capacity and plow into new, productivity-enhancing investments. Thus, lower tax rates today means faster growth and higher levels of income in the future.

The logic is reasonable. And seductive. John F. Kennedy used it in the early 1960's and Ronald Reagan rode the same horse into the White House in 1981. But, does the horse deliver? True, lower tax rates on

interest and dividends could make savings look more attractive. I'd much rather earn 6% than 3%. However, with higher after-tax returns, I could save less and still build the nest egg I need in the future. Since higher after-tax returns allow my dollars to grow more rapidly over time, I don't need to salt away as many dollars today to generate the retirement fund I want for later. If consumers react to higher returns by saving less, the Kennedy/Reagan argument crumbles and the horse is left at the starting gate.

Will lower tax rates encourage more saving; or will they prompt less saving? Either result is theoretically plausible. To economists, the answer is to be found in hard data, not political ideology. But, hard data are tough to find. Economists cannot run controlled experiments that clearly isolate the impacts of tax cuts from other economic changes occurring at the same time. Nonetheless, the data we do have cast doubt on the economic growth hypothesis.

Cross-country comparisons show no statistically-significant relationships between tax rates and economic growth. Patterns of economic growth found in industrialized nations with relatively high tax rates on savings and investment look very much like those found in nations with lower tax rates. U.S. history paints a similar image. Tax rates shift with the political sands, but long-run growth rates have been remarkably stable. If lower tax rates spur savings and investment, we should have seen rapid increases in both during the Reagan years. We didn't. Marginal tax rates plunged in the 1980's, but the expected surge in personal savings rates never came.

Should we exempt interest and dividend income from personal taxes? If the corporate income tax is borne by stockholders and if lower tax rates will stimulate new savings and economic growth, the answer is probably "*Yes!*" On the other hand, if the corporate income tax is passed on to consumers through higher prices, and if lower tax rates will do little to stimulate savings and growth, the answer is probably "*No!*" You decide.

Tax simplification

Even a liberal's soul must soar when Steve Forbes threatens to abolish the Internal Revenue Service and begin anew. Few chords resonate so deeply in the American psyche.

What a holy mess. I'm due a refund from 1995, but the pile of tax records and forms is so daunting that I keep putting off the inevitable. This year, in addition to the "regular" federal 1040, I am obligated to submit Schedule A (itemized deductions), Schedule B (Interest and Dividend Income), Schedule C (Profit or Loss from Business), Schedule D (Capital Gains and Losses), Schedule E (Supplemental Income and Loss), Form 2106 (Employee Business Expense), and Form 4562 (Depreciation and Amortization). It's enough to make even a trained economist crawl the walls.

Will a flat tax make a difference? Maybe not. Most Americans already fill out little more than a postcard-sized federal tax report. The K-Mart clerk who does not itemize deductions nor have an extensive financial portfolio, will notice no difference. He/she will continue to record wages earned and then use a tax table, that already accounts for graduated rates and a standard deduction, to calculate tax *owed* or, hopefully, tax *to be refunded.*

Collapsing progressive rates into a single flat rate will modify the tax tables, but will not save time or lower frustration levels. Slashing deductions would save time for those who itemize. But, given a choice between simplified forms and keeping their deductions, most itemizers would vote opt for latter. Eliminating taxes on dividends and interest would eliminate Schedule B, but it's relatively straightforward anyway. Schedule D for capital gains is a bear -- and some plans would end capital gains taxation altogether. Yet, other plans which index capital gains calculations to inflation would add complexity. Forms to calculate profits, rents, farm incomes and business expenses will still be needed -- and will still create enough heartburn and anxiety to maintain full employment for tax accountants and

antacid manufacturers.

Flat tax proposals are not new; nor are proposals to limit deductions, lower taxes on dividends and interest, and simplify tax codes. By lumping these issues under a single label, election rhetoric has unnecessarily muddled reasoned debate. Any of these changes can be addressed independently of the others. Each change has potential advantages; each has potential drawbacks. Which ones make sense? *You decide.*

Love and Marriage

...go together like a horse and carriage. Whoa. Is that right? Could the classic song from Oklahoma! be correct? Yes. And no. When Rogers and Hammerstein penned "Love and Marriage" back in 1943, the analogy was apt. But, 1996 doesn't look like 1943.

Love still blooms, but marriage ain't what it used to be. Marriage rates are down and divorce rates are up. Fewer couples are saying "*I do!*," and those who tie the knot often backpeddle and untie it when the honeymoon limo runs into a patch of potholes.

Why? Moral turpitude? A decline in family values? No, no. You can't get off that easily. I've got two pages to go in this article! Such exhortations may suffice for election-year sound bites, but they don't cut the scientific mustard. Changes in marital patterns cannot be explained by hushed references to some media catch phrase. Economists demand substance.

What does economics have to do with love and marriage? Plenty. By now you've learned that economics explains everything! It's not just about trade deficits, taxes and unemployment rates. It's about choices; all kinds of choices. The same logic used to set wages and prices can be applied to decisions about marriage and divorce.

Costs and benefits

It's just costs and benefits. Every decision we make involves an implicit comparison of costs and benefits. If expected benefits exceed costs we act; if not, we don't. That innocuous statement has powerful implications. If people make decisions on the basis of costs and benefits, it follows that behaviors change only when their costs and benefits change. In other words, changes in marital patterns must be driven by changes in the underlying costs and benefits of marriage.

In fact, two significant changes have occurred, and both relate to the same root cause -- women's increasing success in the labor market. The ability of women to earn competitive wages has fundamentally altered the costs and benefits of marriage -- especially from the women's perspective.

* *

U.S. Population: age 18 and over*

Year	% never married	% married	% widowed	% divorced
1970	14.1	74.2	8.3	3.4

1980	16.5	69.3	7.6	6.6
1990	20.6	63.7	6.9	8.7
1994	23.7	60.9	6.2	9.3

* percentages are adjusted to account for changes in the age distribution of the population.

* *

With the potential for successful careers, women need not depend on male partners for economic security. When women can earn their own way in the market, they consider marriage as less beneficial and more costly. When women had no lucrative prospects outside of marriage, the opportunity cost or sacrifice in assuming traditional housewife roles was minimal. With few other options available, women looked to marry. But, when career opportunities emerged, many women chose to embrace them. The marriage market was transformed.

The marriage market? Sure. If a Florida frost drives down the supply of oranges, we know we'll see fewer oranges on the shelves, and a higher price tag slapped on those that remain. Marriage markets work the same way. When attractive alternatives to marriage evolve for women, the supply of women to the marriage market drops. This lowers the quantity of women available for men to purchase and raises the market price!

Purchase? Prices? Yes! When women face increasingly-attractive job opportunities, men must bid more -- up the ante -- if they want women to choose them over these alternatives. Of course, the price is rarely explicit. We cannot shop for spouses as we shop for oranges. Potential husbands and/or wives are rarely arrayed on grocery store shelves in quite the same way as fruit. When last I checked, not even Wal-Mart listed a *spouse selection* aisle.

Nonetheless, *implicit* prices do rise. Men must now accept wives whose ambitions reach beyond the front yard; wives who expect their spouses to share in activities from peeling onions to scouring toilets. To most men, for better or for worse, such change is costly.

Economic logic would predict that changes in the percent of women who marry should mirror changes in the ratio of female-to-male wages. The more that women can earn *relative to* men, the less likely they should be to marry. And, that's exactly what we find. As this ratio has risen over time, the percent of women marrying has fallen. Simple economics.
This can also shed light on racial differences. Because the female-to-male wage ratio is higher for African-Americans (almost 1.0) than for whites (about 0.7), the economic model successfully predicts that white women are more likely to marry than are African-American women.

Shifting employment patterns

But now, the plot thickens. *Why* have job opportunities for women risen? WHY has the female-to-male wage rate risen? Again, economists are not satisfied with arguments like "gender discrimination is falling." An economist will ask why this is happening in 1996 rather than 1696 or in 2296. To an economist, gender discrimination is not likely to change without some underlying change in the costs and benefits of such discrimination.

Luckily, such changes are easy to find. First, the nature of work has changed. We have moved rapidly from a economy that depends on muscle power to one that depends upon brain power. Men have a comparative biological advantage in muscle power, but not in brain power. It makes even less sense to

exclude women from a "brain-power" workplace than from a "muscle-power" workplace.

Second, economic development has changed the fundamental costs and benefits of children. In the lesser-developed economy of 1696, children were economic assets. They served as cheap farm labor and as a surrogate welfare system. In 1996 government-funded programs for unemployment compensation, social security, and medical/disability insurance provide a public safety net. But, in the lesser-developed economy of 1696, the extended family provided this net. Your children were your unemployment compensation. Your children were your social security system. Your children were your medical insurance.

When children provide economic security, the incentive is to go forth and mulitply -- the more children, the greater the security. But, when couples go forth and multiply, women often stay home to feed and mind the kids. As economies grow and develop, large families are less useful. A social system which encourages women to stay at home makes less economic sense.

Interestingly, the same factors that make marriage *less* attractive to women, make divorce more attractive. When the relative benefit of marriage falls, the relative costs of divorce also fall. Lucrative employment opportunities create attractive alternatives for single women; they also enable women trapped in unhappy relationships to escape more easily. Smaller family sizes are equally important. With fewer or no children, divorce is a much less costly experience.

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