

**WHAT MONEY CAN BUY: THE RELATIONSHIP BETWEEN MARRIAGE
AND HOME OWNERSHIP IN THE UNITED STATES**

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In the last several decades, the median age at marriage in the United States has risen dramatically. One of the leading explanations for this trend points to a series of economic transformations that has made attaining economic security more lengthy and more difficult for many and impossible for some. From this perspective, marriage is being delayed—and even forgone—because inauspicious economic context prevents individuals from reaching the minimum economic threshold required for marriage (Oppenheimer 1994; Wilson & Neckerman 1987).

Tracing changes in marriage to changes in economic conditions has tremendous face validity. And the evidence is convincing as far as it goes. However, the account is incomplete because it does not take into account the role changing material aspirations.

The link between economic security and marriage is mediated by the material lifestyle— or standard of living— considered appropriate for the start of marriage. Historically, this standard was related to the minimum requirements for establishing a new household, since most young adults lived with their parents until marriage. Today, young people often form independent households, (with or without a partner) prior to marriage, so ideas about appropriate standards of living are not tied to the specific need to start a household. Nevertheless, marriage appears to be more “expensive” than other living arrangements suggesting it retains a higher material standard than other living arrangements (Hughes 2003). In fact, the lack of a specific consumption goal, along with the availability of cohabitation, may mean that material standards for marriage are even higher than they were for previous generations.

Thus, young adults measure their income – and their economic readiness for marriage – against their material aspirations. This idea is similar to the thesis of Richard Easterlin (1980), who argued that young people assess their economic well being relative to the standard of living they enjoyed in their parents’ households. When economic conditions are poor, young people’s ability to reach their parents’ standard of living will deteriorate and they will delay marriage and childbearing.

Alternatively when economic conditions are good, young people will reach their parents’ standard of

living more easily and will thus marry and form families earlier. Easterlin embedded his theory of relative income in a broader theory in which relative cohort size drove fluctuations in wages and thus in relative income. Because Easterlin's the broader theory of cohort size has proved controversial, the central insight of relative income has received less attention than it deserves.

If material aspirations were constant, they would be largely irrelevant to explaining marriage change in the United States. However, a great deal of evidence suggests that material aspirations have increased steadily in the post war period (e.g. Brown 1994; Lebergott 1993). The sheer availability of consumer goods has increased each year. In addition, the quality of existing goods, such as cars, televisions, and housing, has also risen. These changes in availability and quality are linked to processes by which what is first a luxury becomes a necessity. In short, the bundle of goods that Americans consider necessary for a comfortable life has increased dramatically.

Although the relative prices of many of these goods has declined as they became more common, the overall cost of the bundle has increased along with the number of goods.

Increasing material aspirations may thus have interacted with changing economic context to produce delays in marriage. Economic security became more difficult to attain both because income was harder to come by and because the price of a middle class standard of living increased.

In this paper I assess the relationship between material aspirations and the timing of marriage by focusing on the relationship between home ownership and marriage over the last thirty years. The case of home ownership is an excellent concrete test of the potential relationship between increasing material standards and delayed marriage. Focusing on a specific good avoids the ambiguity that may arise in defining a bundle of goods or the price of a certain life style, especially given the swift changes in the goods available in the post war period. Moreover, study after study has shown that a large majority of Americans desire to own their own homes; ownership has always been a part of the American Dream. Thus a focus on home ownership sidesteps issues of changing motivations or preferences. Finally, housing "quality" – that is, the size and characteristics of homes, such as the

number of baths or presence of central air conditioning – has risen dramatically in the post war period; in fact increases in housing quality are one of the prime examples of increasing material standards (Gyourko 1998).

However, beyond these practical considerations, there are solid theoretical reasons for studying home ownership and marriage. Purchasing a home is a central consumption event. The fact of ownership, as well as the qualities of the home anchor one's consumption life style and lead to other consumption. In addition, the ability to achieve home ownership may also be an important marker of economic security. Housing using prices are highly visible – reported in the media, discussed among friends and neighbors. Housing costs may thus provide a yardstick for measuring economic well being.

In addition, we already know that home ownership is associated with marriage and family formation. A long literature, going back to Rossi (1980), examines the relationship between purchasing a home and marriage and childbearing. However, most of this literature is based on a very mechanistic notion about need for space and the family “life cycle” and is quite outdated.

The relationship between home ownership and marriage thus provides a relatively direct test of the role of increasing material standards in the delay of marriage. I organize my analysis around two questions.

First, I examine the occurrence, timing and sequencing of marriage and home ownership. Research on home ownership conducted by economists and planners typically assumes a close causal connection between marriage and home ownership. However, much of the evidence for this relationship is cross sectional; at a point in time, married couples are more likely to be owners. I will begin by testing this relationship dynamically. I will then assess whether or not the link has changed over time. For example, if material standards for marriage have increased, I would expect to see that the link between marriage and home ownership is tighter and the two events are closer in time. Cohabitation will be particularly interesting in this regard: to what extent does home ownership

mark the transition from cohabitation to marriage? Finding such a relationship would suggest that couples are waiting to marry until they can afford to purchase a home, in turn suggesting a role for material standards.

Second I will examine the impact of housing costs on marriage and home ownership. Housing quality and costs have not only changed over time; they are highly variable across space as well. I will use the leverage provided by this variation to test hypotheses about the effect of housing costs on marriage and home ownership considered jointly. For example, if people assess their economic well being according to whether or not they can afford a home or if people consider the near possibility of home ownership a contemporary prerequisite for marriage, then in areas with lower housing costs marriage should be earlier. Furthermore, if material aspirations are higher and thus home ownership is more important I would expect to see that effect of housing costs becomes is stronger over time. Because marriage and home ownership are likely to be endogenous, I will examine the effect of housing costs on their joint occurrence. That is, I will assume neither that home ownership determines marriage nor that marriage determines home ownership.

The data I use to answer these questions are drawn from the Panel Study of Income Dynamics (PSID) a thirty-year longitudinal study of a nationally representative sample of American families (Hill 1992). Because the PSID was designed to trace changes in the economic well-being of American families, the data collection contains detailed information about both family structure and economic circumstances, including housing arrangements.

The PSID began in 1968 with a sample of 18,224 individuals living in 4,802 families. Sample families were reinterviewed each year through 1997 after which they were interviewed every two years. I use the entire set of single-year interviews, that is, the data from 1968-1997.

Each wave of the PSID contains information on both families and the individuals living in them; the unit of analysis in my study is the individual. One of the unique features of the PSID design is that a child born to a sample member becomes a sample member. In addition, sample members are

interviewed even when they leave sample families. For example, a child born in 1969 to a sample family, who then moved out of her parents' household in 1989 at age 20 is a sample member, interviewed first as a part of her parents' household and then in her own independent household. These rules were designed to mimic the population's family building activity and produce a representative sample of families across time and at a point in time. For my purposes, they mean I can examine the relationship between marriage and home ownership among young adults who came of age in three decades, decades that differ widely in family behavior, economic context and housing conditions.

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