

Notes on Spousal Support

Spousal support (alimony) is most common when one of the spouses has specialized in household production (e.g. raising children), while the other spouse has specialized in marketable production. When a spouse places his/her career on the side to raise children, he/she develops fewer marketable skills and when divorced, may even be less appealing for other potential partners. Without the insurance of alimony, the optimal amount of child raising specialization will not be obtained. Therefore, we find that enforcing alimony after divorce is optimal.

With more improvements in specialization, even in household production, demand for nonmarket specialization declined and so the role of spousal support has diminished.

Spousal support is typically paid in monthly installments, which also stops once the individual receiving it is able to establish a career or is remarried. However, a lump-sum amount could, instead, be paid out (only if the party who specialized in marketable production can afford it). This will be based on the probability of the recipient getting married and is equivalent to the present expected discounted value of a stream of alimony payments.

With alimony in monthly installments, if the recipient gets married earlier than expected, then that individual receives less than expected. On the other hand, if that individual gets married later than expected, that person receives more than expected.

Moral hazard is also an issue here given that spousal support can be a function of both the income of the paying spouse and the recipient spouse. When the payer makes more, that individual has to pay more alimony. If the recipient makes more income, that person receives less alimony. This setup incentivizes both parties to not work as hard so that they do not make as much money.

Notes on Property Division

Most property, aside from the family home, that is brought into the marriage is kept by the individual who originally owned them. Division of property, however is hard ex post given that the method used by the courts is a good approximation, but it does not encourage truthful revelation of preferences.

What happens if a spouse works to put the other spouse through medical school and then they divorce? Spouses are more capable than banks in monitoring the qualities of their marriage partners, and therefore spouses may be in a better position to make educational loans. The rate of return should not be too high such that there will be underinvestment in medication education nor should it be too low that there is overinvestment in this economy.

Notes on Prenuptial Contracts

Courts have default rules on a breach of a marriage contract. However, couples have the alternative to write their own prenuptial contract. In this way, they can divide property and determine support based on their own needs. The courts generally accept the contract if it is written, both parties have had sufficient time to review the contract before the wedding, and both sides have had the opportunity to consult a lawyer.

Lastly, a marriage is void if one of the spouses is legally married to someone else and has not officially undergone divorce.

Notes on No Fault versus Fault

With fault, the law encourages optimal behavior because the party at fault will have to pay more alimony or receive less of it (depending on whether the party specialized in household production). However, marriage is a very complicated relationship and there is really no consensus about relative fault within a marriage. Therefore, no fault has superseded fault.

Notes on Engagement Ring when the Wedding is called off

One approach is to ask who would end up with the ring if transaction costs were low. If the ring is a family heirloom, it should be given back since that ring would almost always be more valued by the original owner. If the original owner has more use/benefits from the ring than another, that individual should get it.

Notes on Polygamy

In a society in which men can have multiple wives, the superior men who are deemed more suitable husbands can have multiple wives while those that are not desirable do not have any. If this is the case, there are less women who are single and therefore, there is more competition for women. This results to women being valued more by competition. This results to a majority of men hurt by polygamy because the demand for them is decreased and possibly a majority will have no wives.