EDUCATION, MATCHING AND THE ALLOCATIVE VALUE OF ROMANCE

Alison Booth
Australian National University
University of Essex

Melvyn Coles
University of Essex

Abstract

Societies are characterized by customs governing the allocation of non-market goods such as marital partnerships. We explore how such customs affect the educational investment decisions of young singles and the subsequent joint labor supply decisions of partnered couples. We consider two separate matching paradigms - one where partners marry for money and the other where partners marry for romantic reasons orthogonal to productivity or debt. While marrying for money generates greater investment efficiency, romantic matching, by increasing the number of educated and talented women who participate in the labour market, increases aggregate productivity. (JEL: I21,J12,J16,J41)