

FAMILY AND ECONOMIC ANALYSIS

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Abstract: *The institution of family may be examined by various fields of study – Sociology, Psychology, History, Law, Economics, etc. This article aims to look at the family from the viewpoint of economic analysis of law. It presents the household as a cell producing and consuming commodities which may not be purchased in the market environment. Such commodities mean children, prestige and reputation, health, altruism, and sensual pleasure. Consumption of home commodities does not reduce the quantity of commodities in other households. The article presents the family as the institution which is responsible for a substantial part of economic activities because of its offer of manufacturing factors (labour, capital) and consumption of goods and services. Owing to these reasons, the family has an indispensable influence on the economic environment. However, this holds true even vice versa. Technological progress has been changing the economic environment and such changes have been reflected in the family and its functions. The present article analyses the marriage market, the position of women in the labour market, the division of work in households, the decrease in birth rate and the increase in divorce rate and their relationship, and tries to answer the question of whether state interventions in the family are efficient.¹*

Keywords: *family law, marriage market, position of women in the labour market*

ECONOMIC ANALYSIS IN THE CONTEXT OF THE FAMILY

Economic analysis of law is not a compact system but consists of a certain range of concepts, approaches and theoretical trends associated with the endeavour to interconnect the logics of law and economics. At the beginning of the project of economic analysis of law there was an idea that Law and Economics are fields to be mostly studied separately in spite of their interconnectedness by their joint subject of study or regulation – the human being. Economists and lawyers started to look for answers to the following questions: How could economic theories contribute to analysis of law? How does the legal system influence the efficiency of the economic system? An opinion that the interconnection of economists' and lawyers' thinking might be helpful in the creation of an efficient legislative framework started to take its roots in practice.

It is not necessary to accent the difference in thinking of lawyers and economists; instead of a theoretical consideration of this topic, I will rather borrow Posner's model example of a careless hunter², which succinctly describes the above-mentioned differences. The careless hunter wounds another hunter, who subsequently sues him for damages. According to Posner, the only question to be asked by the parties and their lawyers is whether the costs of treatment should be transferred from the wounded hunter to the shooting hunter, or whether such transfer is fair. The wounded hunter's lawyer will state that his client should get a compensation because of his having been wounded without his fault. The second hunter's lawyer will state that the wounded hunter was careless and owing to

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² POSNER, R. *Economic analysis of law*. 6th edition. New York: ASPEN Publisher, 2003, p. 25.

this his client should not pay any damages. Fairness and honesty are not economic concepts. The accident is a closed chapter for the economist. The expenses incurred are already sunk costs. While the parties to the proceedings and their lawyers are interested in the effects of a past accident, the economist is interested in a reduction in the number of accidents and their costs in the future. The dichotomy of lawyers' and economists' thinking indicated in the hunter's case is slightly exaggerated. Neither the judge nor the lawyers can ignore the future. The judge, within his judicial discretion, puts the finishing touches to the rules, and the legislator, within the process of enactment, creates legal rules which will influence human behaviour in the future. It is precisely this aspect that is interesting for the economist. Considerations of future behaviour of people at the stage of creation and finalization of legal rules represent the starting point for cooperation of economists and lawyers on the way of creating efficient legal rules. Nevertheless, it must be added that the economic analysis of law is only one of the methods of examination of law and as such must be considered in the context of other approaches.

The fact that the project has been looking for its way to the Czech university campuses only in the recent years could create a false illusion of the project being new. In fact, a historical excursion into the modern concept of the economic analysis of law will take us to the 1930's University of Chicago, which has not lost its privileged position in this field to this day. In relation to the economic analysis of the family, we will be most interested in the work of **G. Becker**³ (born in 1931), one of the representatives of the mentioned school. He attracted the interest of the economic community by his research and theories in such fields of study which had been considered to be "non-economic" until that time. It was his ability to economically analyse a substantial part of the human behaviour and conduct – from the wedding, the decision to have children, decisions on the children's upbringing and education through the divorce, crime and racial discrimination – that has brought him the Nobel Prize in Economics in 1992. His work *A Treatise on the Family* (1981) deals with economic decisions concerning the entrance into marriage, remaining married, divorce, decisions on the number of children, and the time of their birth. All of these questions are decided by a married couple by means of comparing and contrasting the benefits and expenses.⁴ For instance, the number of children to be had by a married couple depends on the comparison and contrast of the expenses and the delight from raising a child. Therefore, there is a trend to have fewer children in families where the wife works and is well-paid in her job, after a reduction in child allowances and child tax credits, or after an increase in the costs of upbringing and education.⁵ Becker also mentions another reason for the decrease in birth rate: the introduction of the social system and other allowances paid to elderly people. The increase in the public transfer to elderly individuals has reduced the demand for children, the children's care for their parents not being a matter of course anymore.

Economic analysis is traditionally divided into a positive and a normative part. Positive economic analysis of law seeks to describe human behaviour (people's reactions to effec-

³ BECKER, G. Nobel Lecture: The Economic Way of Looking at Behavior. *Journal of Political Economy*. 1993, Vol. 101, No. 3, pp. 385–409.

⁴ HOLMAN, R. *Dějiny ekonomického myšlení*. 3. vyd. Praha: C. H. Beck, 2005, p. 451.

⁵ Ibid.

tive law) and tries to anticipate people's behaviour in the future. It does not assess the law. The positive part is concerned with the following question: How will birth rate change if child allowances are lowered? A normative economic analysis of law tries to answer the following question: Is the current legislation efficient? What changes in legislation could contribute to greater efficiency? One of the basic mantras of a normative economic analysis of law is undoubtedly the term "efficiency". We will examine the causes of the decrease in birth rate from the viewpoint of efficiency. The core of economic analysis of law is the presumption that human beings rationally maximize their benefits in all situations in life, not only in the economic ones. Thus we must take account of the laws of microeconomics, especially the individual's maximization of benefits, even in the family.

Marriage Market

The length and quality of married life varies, depending on health, education, experience, and character features of both the partners. Let us suppose that each party to the marriage market wants to maximize his/her benefits in the competition with other parties. If each party had exhaustive information on all the other parties, an efficient marriage market would couple individuals with similar family background, intelligence, preferences, and other qualities. In the marriage market, the benefits depend on the parents' consumption and the quality of children, which is measured by the income of the children when adults.⁶

There are couples of various qualities in the marriage market. Some parties rather choose a worse quality partner because they feel that better quality partners are too expensive. In an efficient marriage market, a high quality man is coupled with a high quality woman and a worse quality man is coupled with a worse quality woman. An efficient marriage market seeks to maximize output of home commodities. Imagine two men, M1 and M2, and two women, F1 and F2. Each family produces home commodities, such as home space, number and quality of children, conversation, love, sexual satisfaction, etc. Let us combine the persons involved in couples and allocate each couple a numerical value of output of home commodities.

	F1	F2
M1	[8	4]
M2	[9	7]

Although the maximum output is created by the marriage between M2 and F1, the optimum solution is to couple M1 and F1, and M2 and F2, because $8 + 7 = 15$, whereas $9 + 4 = 13$.⁷ This example demonstrates that the marriage market does not choose an optimum solution just for one couple, but for all couples, the same way as the product market maximizes the quantity of output of all companies. It is necessary to emphasize that the above-mentioned maximum benefits from the view-point of the whole society are just a theory and are not based on practice. In real life, men and women are interested in their own welfare only, not in the social welfare. People differ from each other in biological aspects

⁶ BECKER, G. A. *Treatise on the Family*. London: Harvard University Press, 1993, p. 230.

⁷ *Ibid.*, p. 111.

(height, age, colour of complexion, fitness), psychological aspects (character features, talents, abilities, intelligence), and financial aspects (income, property). The differences between partners may relate to non-market aspects – intelligence, education, health, hardiness, personality, religion, etc. The more in common the partners have, the more efficient their marriage is.

A person enters into marriage if the profit to be gained in marriage is higher than the profit to be gained in single life. There may be such a situation in the marriage market that individuals remain single although they have not freely chosen this way of life. Let us say that there are more men in the market than women and polygamy is illegal (e.g. China). Or there are more women in the market than men and polyandry is prohibited (the situation after World War II). Imagine three men of different qualities: Mk, Mj, Mg, and three women of different qualities: Fk, Fj, Fg. If Mk is coupled with Fk, Mj with Fj, and Mg with Fg, the situation in the marriage market is balanced. However, in practice Mi frequently prefers Fj, who prefers Mk, who prefers Fi. The situation in practice can even be such that the lower quality woman Fj marries the redundant man Mk, who displaces Mj. Mj becomes redundant and marries Fg. Individuals, as a rule, do not prefer a partner who is suitable for them from the viewpoint of an optimum solution.

Some readers may argue that romantic affairs, such as love and associated emotions, and irrationality, may not be subject to economic analysis. Love marriage is more important in our society than it used to be; therefore, this aspect cannot be ignored in the analysis. Mi may benefit from marriage to Fj because Fj increases his welfare in spite of her being selfish and not returning his love. She benefits from his love for her and his transferring sources on her, thus increasing his own welfare. At this spot, we will confine ourselves to say that partner's benefits are not conditioned by unselfish conduct of their partners, which will be described in more detail in the subchapter devoted to altruism.

Polygamy and Monogamy

Women very rarely used to have more men in the human history. Evidence of polyandry may be traced in the tribe of Toda in India, the ancient Jewish society, the Muslim society, several periods of the Ancient Greece, most African countries, and the Chinese society.⁸

It is apparently not surprising that a woman in polygamy has a lower number of sexual intercourse episodes and births, and spends less time with her husband. The husband must distribute his income among more wives and their children. At the first glance, a polygamous marriage may always seem to be less convenient for a woman than a monogamous marriage. However, this opinion does not hold true in all societies, without any exceptions. Let us take an example of a society in which there are more women than men. Monogamy in such society could result in such a situation in the marriage market that there are a lot of involuntarily single-woman households, producing less than households in which a woman has to share her husband's attention and income with other wives. Polygamy may be more efficient for a woman even in other cases than a lack of men in the marriage market. Let us say that a woman is choosing between a higher quality man

⁸ BECKER, G. A. *Treatise on the Family*. London: Harvard University Press, 1993, p. 85.

and a lower quality man in the sense of qualities having influence on the woman's productivity. In some African countries, the likelihood of a polygamous marriage increases e.g. in men who own a well. A well significantly increases their attraction for women when compared to men who do not differ from such men in age, education, and tribe ethnicity. Although a man spends less time with a woman in polygamy, the woman may prefer polygamy if it provides her with more sources and greater productivity than monogamy. In other words, women may prefer only partial attentiveness of successful men to full attentiveness of unsuccessful men. George Bernard Shaw worded this beautifully: "*The maternal instinct leads a woman to prefer a tenth share in a first rate man to the exclusive possession of a third rate one.*"

A similar situation may occur even vice versa, that is, the marriage market comprises efficient women who attract men more than less efficient women, who stay single. We may ask about the reason for open polyandry occurring less frequently in society than open polygamy. This is apparently due to women being much more willing than men to share the attentiveness of an efficient partner if this contributes to greater productivity. Becker says that polygamy and polyandry are insignificant unless women or men differ significantly in their efficiency.⁹

Marriage and Division of Work in the Household

Division of work among the members of the family is partly conditioned by biological differences, and partly by different experience and investments in human capital. The most typical family model in the human history is the woman taking care of children and the household and the man specializing in farming and other activities in the labour market. According to Becker, specialization with respect to time allocation and human capital accumulation for the benefit of family efficiency would occur even if there were no biological differences between the partners.¹⁰ Because women specialize in children and the household, they require that their men enter into an agreement with them not to leave them and protect them against adversities. All societies have developed a long-term agreement for the purposes of protection of women called "marriage" and referred to as a long-term obligation between a man and a woman.¹¹ This explains the reason for marriage, as a form of household organization, being important in all societies.

Let us look at optimum investments in both types of human capital. Each person seeks to maximize his/her benefits by choosing an optimum way of allocation of time and money for various activities. People get income from the time spent in the market environment and benefit from the time spent by eating, sleeping, watching television, working in the garden, and participating in many other activities. All people have 24 hours a day, 168 hours a week, (t) at their disposal a most of them divide such time into time devoted to the household (th), their interests (ti), and the labour market (tw).

$$tw + th + ti = t$$

⁹ BECKER, G. A. *Treatise on the Family*. London: Harvard University Press, 1993, p. 89.

¹⁰ *Ibid.*, p. 30.

¹¹ *Ibid.*, p. 31.

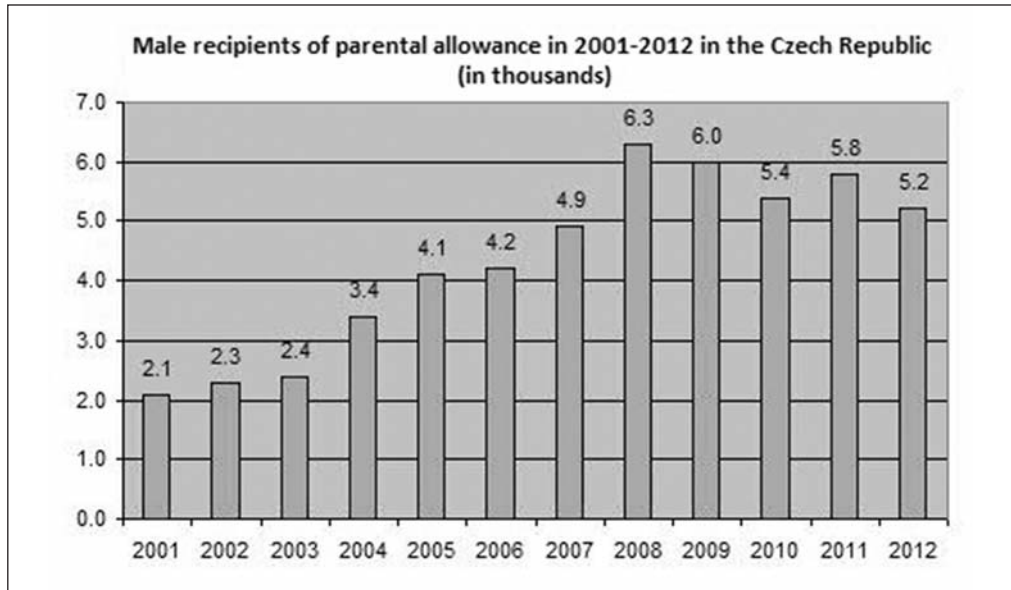
Let us suppose that the members of the household are identical, not differing in biological aspects, thus being mutual substitutes. An efficient household would use the comparative advantages of the members of the household in such a way that the partner with a comparative advantage in the labour market would specialize in the labour market, and the second partner with a comparative advantage in the household would specialize in household activities.¹² The partner specializing exclusively in the labour market is motivated to invest into market capital (e.g. investments in professional training) and is not motivated to invest into home capital (e.g. investments in lessons in care for children, cooking, and sewing). Let us suppose that both the partners invest into market and home capitals and allocate their time to both the sectors. Such a household would be, from the viewpoint of the theory of comparative advantages, less efficient than a household whose members specialize and invest into only one of the two above-mentioned types of capital.

A man fertilizes a woman's ovum, thus finalizing his role within reproduction, whereas the woman carries the child, gives birth to him/her and feeds him/her with her own milk. This biological role of the woman predestined her to spend most of her adult age with children until practically the end of the 19th century. The man was less biologically predestined to take care of children and therefore spent most of the time by getting food and clothes, providing protection, and doing other activities in the market. This division of work may be traced in most biological species which fertilize the ovum in the body of the female. Special investments and allocation of time, together with biological differences, have resulted in men's specialization in the labour market and women's greater focus on the household and children. Women aged between t_1 and t_2 do not offer their workforce because time spent at home by taking care of children has greater value for them than time spent in the labour market. The value of a woman's time changes during her life, depending on whether she is in the period between t_1 and t_2 or not. In poor countries, the value of a woman's time is, on average, lower than the value of a man's time. In more advanced countries, the value of a woman's time is closer to the value of a man's time. The difference is given especially by the fact the much fewer women obtain education in poor countries when compared to more advanced countries.

The modern epoch has brought changes in the division of work between partners. Women specialize less in home activities and men spend more time by doing household chores. The demand for day nurseries and kindergartens has been on the increase. This explains even the greater willingness of men with a significantly lower income than their partners to go on parental leave.

Women usually get married earlier than men owing to maternity. Men get married later owing to investments in human capital. Because of the equalization of men's and women's investments into human capital over the last several decades, the demand for children has been on the decrease. The age of partners when entering into their first marriage is currently very similar.

¹² Ibid., p. 33.

Graph no.1: Male recipients of parental allowance in 2001–2012 in the Czech RepublicSource: www.rozhlaz.cz

Women on the Labour Market

The number of working women in the West has significantly increased over the last 60 years. The economic power of women grew during the second half of the 20th century and, in connection with that, the value of their time spent by taking care of children and doing home activities grew as well. The cause of the decrease in the demand for children may be seen especially in the increase in the value of women's time. The higher percentage of women in the labour market is directly related not only to the decrease in birth rate but also to the increase in divorce rate because women are less economically dependent on men. In spite of the changing position of women in the market, their average earnings are still lower than men's earnings. Why is it so? The main reason is usually seen in the fact that women participate more in the care for children and household chores than men. According to some authors, such women have less energy for work in the labour market than men, which results in their employer being less willing to invest into their human capital than in men's human capital. Anti-discrimination legislation has been trying, with greater or smaller success, to improve the position of women in the labour market. However, the situation in the labour market is unlikely to change significantly if it is the woman of the married couple who is mainly responsible for the care for children and the household, the woman thus generally having less energy available for the labour market. A change in the current situation could be expected if men devoted more time to home activities and women devoted more time to market activities. According to Becker, such a change in the distribution of household chores and care for children would become evident in birth rate, divorce rate, and many other aspects of the family life. The person who

devotes more time to the household would earn less than his/her partner and the family income would still be determined by the division of work between the partners. Thus sex would not be the decisive factor for the amount of earnings. It depends on which direction our society is going to take.

Demand for Children

Malthus's theory of population is one of the most famous and influential ones. It supposes that population grows fast unless supplies of food and other basic things are reduced. His theory cannot explain the reason for the demand for children in the West having been on such a significant decrease over the last hundred years in spite of an extreme increase in the family income. Malthus ignores quality and supposes that the demand for children will grow with the parents' income. On the other hand, Darwin's theory supposes that quantity and quality are chosen to maximize the number of off-spring in the next generation.

The demand for children depends on the price of children and the parents' income. The price of a child includes, among other things, time, expenses, discomfort, risks associated with pregnancy and birth, and other mental and financial expenses for children. The economic theory says that an increase in the price of a commodity changes the demand for such commodity and increases the demand for its substitutes. What is the situation if the price of children is on the increase? Most parents prefer their own children to children of others. This may be explained by the fact the people prefer biological factors in order to promote their own genes. They have more information on their own children's genetic makeup and on the environment in which the child has lived from his/her early age. We may suppose that even if there was a market with children, parents would place lower quality children on such market. Thus children have no substitutes.

The causal relationship between the price of and the demand for children may be revealed by a short look into the history. Agricultural families used to have more members than town families for centuries. For instance, an average family in Florence in 1427 was 20% smaller than an average family in the Italian countryside.¹³ One of the reasons was that food, housing and other things important for upbringing of children were cheaper in the countryside. The net price of a child lowers if the child contributes to the family budget by doing household chores, working in the family business, or in the labour market. Agricultural families had more children because children were more productive in the countryside than in towns. Children in the Indian and Brazilian countryside, for instance, start doing agricultural work when they are 5.¹⁴ The need of children's work in the countryside has been on the decrease with the gradual mechanization of agriculture. This fact supports greater investments of agricultural families into education of their children. Because rural schools are too small, children from the countryside go to schools in towns; this has brought time and transport expenses. Therefore it is not surprising that in some countries birth rate is lower in the countryside than in towns. The price of a child is significantly in-

¹³ BECKER, G. A. *Treatise on the Family*. London: Harvard University Press, 1993, p. 138.

¹⁴ ROSENZWEIG, M. R., EVENSON, R. Fertility, Schooling, and the Economic Contribution of Rural India: An Econometric Analysis. *Econometrica*. Vol. 45, No. 5, pp. 1065–1079.

fluenced by the change in the value of married women's time because the value of the mother's time forms the main part of the price of breeding and upbringing of children. With the involvement of the women in the West in the working process over the last hundred years, women have become more economically independent of men and, moreover, the value of their time has increased. This is undoubtedly the main cause of the decrease in birth rate in the West.¹⁵

The demand for children is influenced not only by the price of children but also by the real income of the parents.¹⁶ An increase in income generally results in an increase in the demand for various commodities and there is evidence that the relationship between children and income is not an exception. Richer men tend to have more children.¹⁷ The economic approach to fertility emphasizes the influence of parents' income and expenses on the child's upbringing. Besides income earned at work, parents may acquire financial means by inheritance or gift. Such financial means are subsequently distributed to satisfy their and their children's needs. Expenses for children depend not only on their parents' income but also on the price for a child's quality, the number of children, and parents' preferences.

All families invest into the human capital¹⁸ of their children. Parents' expenses for the human capital of their children have a significant influence on the income of their children when adults. How can this connection become less mutually dependant? Let us imagine a situation that parents have borrowed money for their children's expenses from a financial institution and the debt is to be paid by their children when they become adults. Such a separation of expenses for children from the parents' income would certainly be risky. Human capital is a very weak pledge for the loan provider. Children might not be as successful in the labour market as to be able to pay off the debt to the financial institution. And what is more, most societies do not allow parents to enter into agreements to the detriment of their children. Perhaps the reason for this is that the minority of parents who do not care for the welfare of their children would increase their consumption by leaving large debts to their children.

An important factor influencing investments of parents into the human capital of their children is altruism.¹⁹ Parents benefit not only from their own consumption but also from their children's consumption. It must be added that the degree of altruism varies in parents. Some people benefit less from their children's consumption than from their own consumption and would like to increase their own consumption to the detriment of their children. Such parents may reduce investments into the human capital of their children and save money for a later period. We may say that parental altruism is the reason for all societies leaving primary responsibility for upbringing of children to their parents. This is

¹⁵ Becker points out at the situation of the black people in the 1970's USA. When the opportunities for their work increased, they started to invest into education more and the birth rate decreased. Even the families living in the country started to invest more in quality instead of quantity. Educated women also have a lower demand of quantity and invest more in quality instead.

¹⁶ ÖSTERBERG, T. Intergenerational income mobility in Sweden: What do tax-data show? *Review of Income and Wealth*. 2000, Vol. 46, No. 4, pp. 421–436.

¹⁷ BECKER, G. A. *Treatise on the Family*. London: Harvard University Press, 1993, p. 133.

¹⁸ MINCER, J. Investment in human capital and personal income distribution. *Journal of Political Economy*. 1958, Vol. 66, No. 4, pp. 281–302.

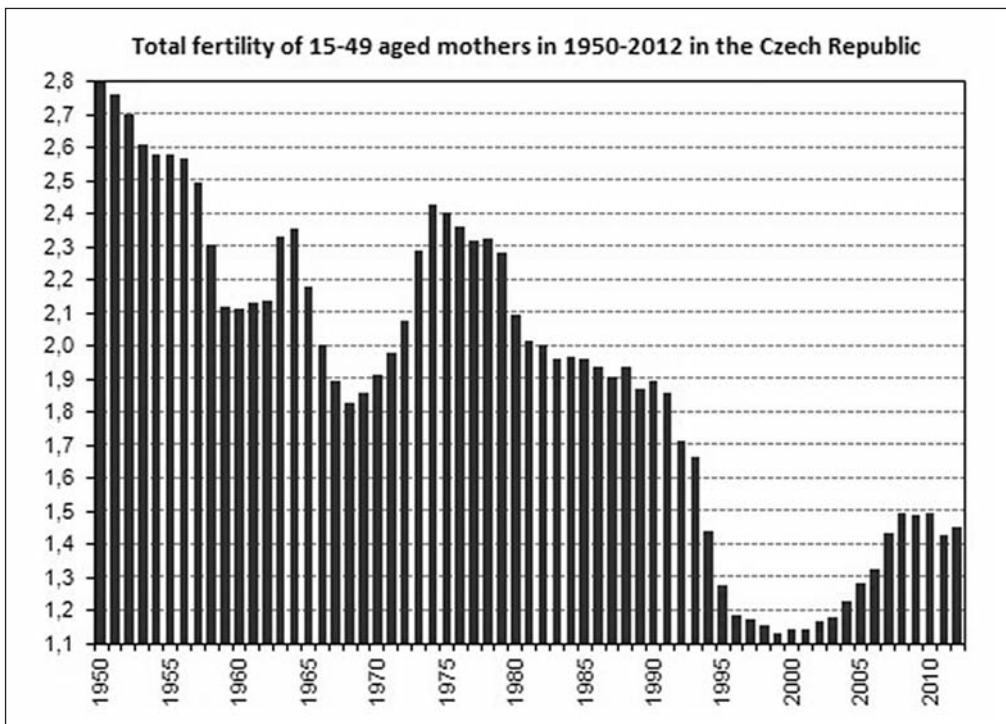
¹⁹ Altruism is when we act to promote someone else's welfare (charity, unselfishness, disinterest). Egoism is the opposite of altruism. Becker is convinced that altruism dominates the conduct in the family to the same extent as egoism dominates market relations. In this context it represents the best known theorem related to social interactions and economic issues inside the family, the so-called Rotten Kid Theorem.

also the reason for governments very rarely taking children away from their parents.²⁰ However, the crucial fact in this connection is that children of generous parents are generally more successful than children coming from ungenerous families. The high probability of generous parents' children being generous to their offspring is also indispensable. In other words, altruism towards children is very likely to shift from generation to generation.

The above-mentioned facts provide a clue for the conclusion that if the expenses for children were the same all the time, birth rate would be influenced by the economic situation, time preferences, and the degree of parental altruism.

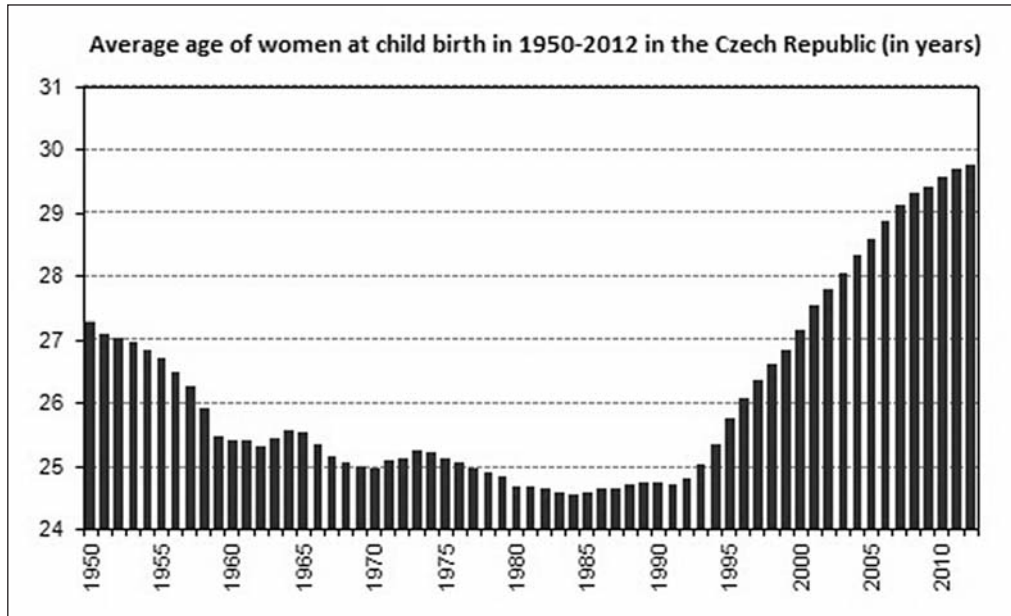
To sum up, we may say that the reasons for the decrease in birth rate in the West over the last 100 years are: (1) agricultural mechanization; (2) increase in the value of women's time; (3) the social system and other allowances paid to elderly people; and (4) the increased parents' requirements with respect to the quality of upbringing and education of their children. Given the current state of affairs, the question is what political measures, if any, to choose in order to increase birth rate. The author of the article is convinced that an efficient policy consists in governmental interventions in the form of creating a balance between the offer and demand for day nurseries and kindergartens, state-funded education, and allowances and tax credits for families with children. Such tools may contribute to harmonization of family and work life.

Graph no.2: Total fertility of 15-49 aged mothers in 1950–2012 in the Czech Republic



Source: Czech Statistical Office

Graph no.3: Average age of women at child birth in 1950–2012 in the Czech Republic



Source: Czech Statistical Office

Altruism in the Family and the Rotten Kid Theorem

Adam Smith once said:²¹ *“It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages.”*²² Thus, the driving force of the market is egoism, whereas altruism is considered to be important within the family. Altruism is when we act to promote someone else’s welfare (charity, unselfishness and disinterest). Egoism is the opposite of altruism. According to some authors, human beings naturally possess an ability to cooperate and are solidary, such qualities being a basis for success in evolution. Other thinkers consider conduct aiming at exclusive benefits of others to be absolutely exceptional and point out the fact that the benefits of a relative or a friend are, to a certain extent, our own benefits.²³ Our objective is not a philosophical discussion on the real motives of

²⁰ In the past experiments suppress the significance of parents’ altruism were implemented. The Plato’s Republic is worth mentioning which refused to leave the upbringing of ethnic children to their parents. As soon as the child was born, it was to be entrusted into the care of a person trained for such purposes. The Plato’s view gained philosophers’ attention, but was not successful in practice. Even the Kibbutz Movement returned the main responsibility for care of children to their parents.

²¹ COASE, R. Adam Smith’s view of Man. *Journal of Law and Economics*. 1976, Vol. 19, No. 3, pp. 529–546.

²² HOLMAN, R. *Dějiny ekonomického myšlení*. 3. vyd. Praha: C. H. Beck, 2005, p. 118.

²³ BECKER, G. Altruism in the family and selfishness in the market place. *Economica*. 1981, Vol. 48, No. 189, pp. 1–15.

human conduct. Therefore we will confine ourselves in the following lines to an analysis of altruism in the family from the aspect of selection of consumption and production.

Let us start by asking the reason for an individual behaving selfishly in his/her business or company and altruistically to the members of his/her family. The reason is apparently the fact that altruistic behaviour in the market environment is less efficient than in the family. How is this possible? In this connection, Becker offers the most famous theorem relating to social interaction and economic questions inside the family, the so-called Rotten Kid Theorem. In this theorem, Becker indicates that family members, in spite of their being selfish, will behave in such a way as to help each other if it has financial consequences for them. He explains the theorem by means of an example of a spoiled child called Tom, who would be happy if he could injure his sister. Spoiled Tom eventually does not hurt his sister; on the contrary, he behaves in such a way as to increase her happiness because this has an effect on the sum of money he receives.²⁴ Therefore, we may conclude that altruistic parents, without creating a formal property structure, may cause a child to behave benevolently due to his/her welfare being conditioned by the welfare of his/her siblings.

Empirical research has shown that children of generous parents are generally more successful than children coming from ungenerous families. The high probability of generous parents' children being generous to their offspring is also indispensable. In other words, altruism towards children is very likely to shift from generation to generation. Parental altruism is the reason for all societies leaving primary responsibility for upbringing of children to their parents. This is also the reason for governments very rarely taking children away from their parents. Experiments to suppress the importance of parental altruism have been carried out in the past. Plato's Republic, which refused to leave the upbringing of ethnical children to their parents, is worth mentioning in this respect. When a child was born, it was to be entrusted into the care of a person trained for such purposes. Plato's viewpoint gained the attention of philosophers; however, it was unsuccessful in practice. Even the Kibbutz Movement has returned the main responsibility for care of children to their parents.

Becker is convinced that altruism dominates conduct in the family to the same extent as egoism dominates market relations.

Human Capital

In spite of the many forms of human capital, we may generally say that it always includes skills, abilities, personality, appearance, and reputation. Research has shown that investments in childhood are crucial for future development.²⁵ However, let us suppose that such investments into the human capital are directly proportional to investments within work training. Some children have greater opportunities because they are born in families with good genetic funds, which put a great emphasis on education of their children. Parents' expenses for the human capital of their children have a significant

²⁴ BECKER, G. A. *Treatise on the Family*. London: Harvard University Press, 1993, p. 133.

²⁵ NERLOVE, M. RAZIN, A., SADKA, E. Investment in human and nonhuman capital, transfer among siblings, and the role of government. *Econometrica*. 1984, Vol. 52, No. 5, pp. 1191–1198.

influence on the income of their children when adults. In other words, there is a connection between the parents' and their children's income. How can this connection become less mutually dependant? Let us imagine a situation that parents have borrowed money for their children's expenses from a financial institution and the debt is to be paid by their children when they become adults. Such a separation of expenses for children from the parents' income would certainly be risky. Human capital is a very weak pledge for the loan provider. Children might not be as successful in the labour market as to be able to pay off the debt to the financial institution. And what is more, most societies do not allow parents to enter into agreements to the detriment of their children. Perhaps the reason for this is that the minority of parents who do not care for the welfare of their children would increase their consumption by leaving large debts to their children. Let us suppose that poor parents have to borrow money if they do not have enough financial means necessary for investments in their children. Or they have to reduce their consumption or sell part of their property. In some cases, even such released sources would not be sufficient to cover the necessary investments into the human capital of children. How can the increasing differences between rich and poor families be prevented? Would it be beneficial if the expenses for children were covered by the public budget? Public expenses would increase sources of families with children if taxes paid by other families were increased. Such a solution is unacceptable. Public expenses are not a substitute for private expenses. Owing to the above-mentioned reasons, the right way seems to be the situation when investments into the human capital of children are paid not only by their parents but also by the state from the state budget in the form of investments into education, subsidies, allowances, and tax credits for families with children.

Incomplete Information, Marriage and Divorce

Information is important for the marriage market, the same way as it is important for the labour market. We acquire information in various ways, e.g. in meetings. Positive and negative experience helps to acquire the necessary information and to analyse it correctly. Divorces are often caused by insufficient information which has become available only in the course of the marriage. Parties to the marriage market have limited information on what benefits may be expected from their potential partners, especially owing to their limited information on the partners' qualities. If we could cheaply examine our partners in marriage and if termination of marriage was not costly, the number of marriages concluded rapidly with the first acceptable partner would be likely to increase. Owing to the fact that termination of marriage may be costly (children, other investments), parties to the marriage market do not marry the first partner they meet but try to obtain information on him/her and examine him/her. Thus, they increase the quality of the choice of their partner. However, research costs time, effort, and other valuable sources. It includes expenses related to the care for one's appearance, dates, parties, bars, mixed schools, single housing, time needed to acquire information on the partner's family, etc. Because the best way to obtain information on another is to spend as much time with him/her as possible, a trial marriage has been widespread, that is, partners live together and their cohabitation has almost all the elements of marriage, but is not formally confirmed by an authority or the church. A trial marriage is highly risky if contraception is unreliable. Therefore, it is

highly probable that the improvement in contraception in the second half of the 20th century contributed to the increase in shacking up because cohabitation had become safer.

Information on the second partner may be divided into two basic groups: easy-to-obtain and hard-to-obtain information. The first group includes information on the appearance, education, religion, and family background. The second group includes information on the health condition, and certain partner's qualities. It must be added that certain partner's qualities may change so that a gradual change in the qualities of the spouse may be a reason for divorce. According to Becker, the reason for divorces shortly after the conclusion of marriage is incomplete information in the marriage market and collection of better information in the course of the marriage.²⁶ Differences in nature and sexual disagreements are a less frequent reason for divorces of marriages lasting for years than for short-term marriages. On the other hand, infidelity, alcohol and financial disagreements are frequently mentioned as reasons for divorces of marriages lasting for years.

Most divorces occur during the first five years of marriage; after four or five years, the divorce rate decreases. This phenomenon is most frequently explained by the fact that those tending to get divorced will do so shortly after the conclusion of their marriage. Divorces are less frequent later because married couples have accumulated property which has a greater value if the marriage remains untouched. Another reason is children, for whom it is important to be in intensive contact with both of their parents.

People who enter into an intercultural marriage (the partner is of different nationality, race, religion, etc.) are more in danger of a divorce than others, in spite of the partners having similar character features. Why do certain people enter into such marriages if they are aware of the high probability of a divorce? Such people are frequently not so firmly bound with their own culture, they are not conservative and are more adventurous, and we will apparently agree that they are willing to take risks. Dugan Romano defines 6 categories of such people in his book called "Intercultural Marriage":²⁷ (1) untypical people, (2) romantics, (3) compensators, (4) rebels, (5) cosmopolitans, and (6) others. According to the author, the first group includes people with a very low need to belong to a certain group. They are frequently loners from their own free choice. Romantics are people longing for something different from what they encounter at home. They perceive the difference as a challenge, adventure, and excitement. People who are convinced of their own incompleteness and believe that they will become full-value human beings through a foreigner are referred to as compensators. Rebels are liberal individuals who consciously or subconsciously marry an individual from a different culture as a form of protest against something in their own culture, which they do not like or want to leave. Cosmopolitans are those who have grown up outside their native country because their parents were diplomats, missionaries, academics, international businessmen, etc. These global nomads do not feel bound with just one culture because they were strongly influenced by more cultures in their teenage years. The last of Romano's groups mentioned above includes partners coming from cultures with a whole range of identical features, individuals who are not attractive enough, and those who use the institution of marriage to improve their own social or economic position. Partners need to have certain qualities for an

²⁶ BECKER, G. A. *Treatise on the Family*. London: Harvard University Press, 1993, p. 328.

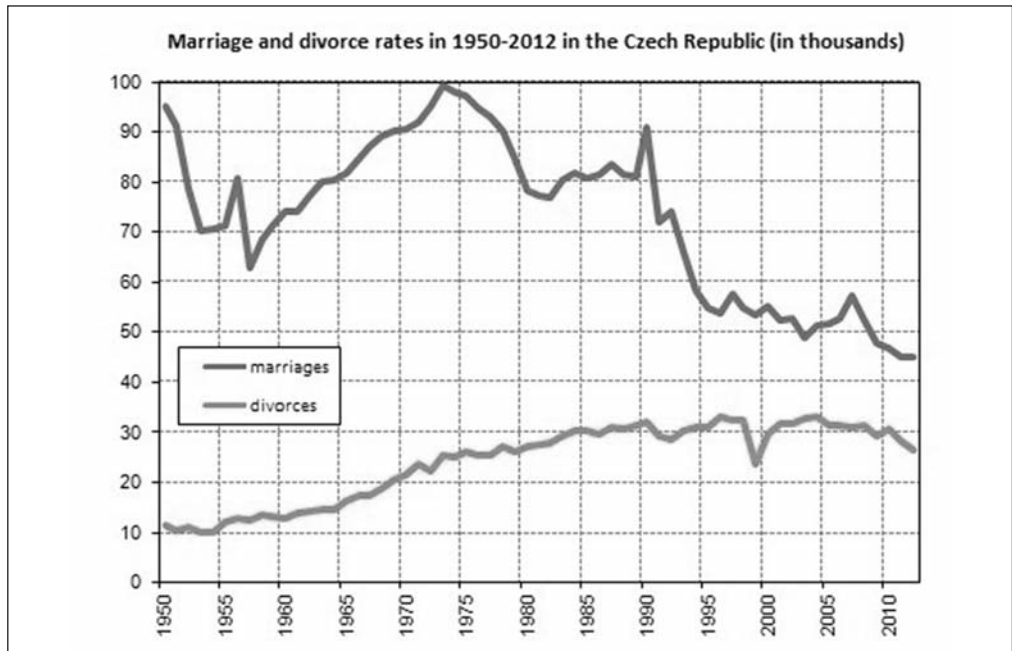
²⁷ ROMANO, D. *Intercultural Marriage Promises & Pitfalls*. 3rd edition. Boston: Nicholas Brealey Publishing, 2008.

intercultural as well as monocultural marriage to be successful. Above all, they must enter into marriage with an obligation to succeed. They must be able to communicate, perceive the needs of the other person, be flexible, have a liking for the culture of the second partner, have common goals, an adventurous nature, and a sense of humour; and above all, the main motive for marriage must be love.

A husband and a wife agree to a divorce if both of them expect that their situation after the divorce (Z_d) will be better than in marriage (Z_m).

$$Z_m < Z_d$$

Graph no.4: Marriage and divorce rates in 1950–2012 in the Czech Republic

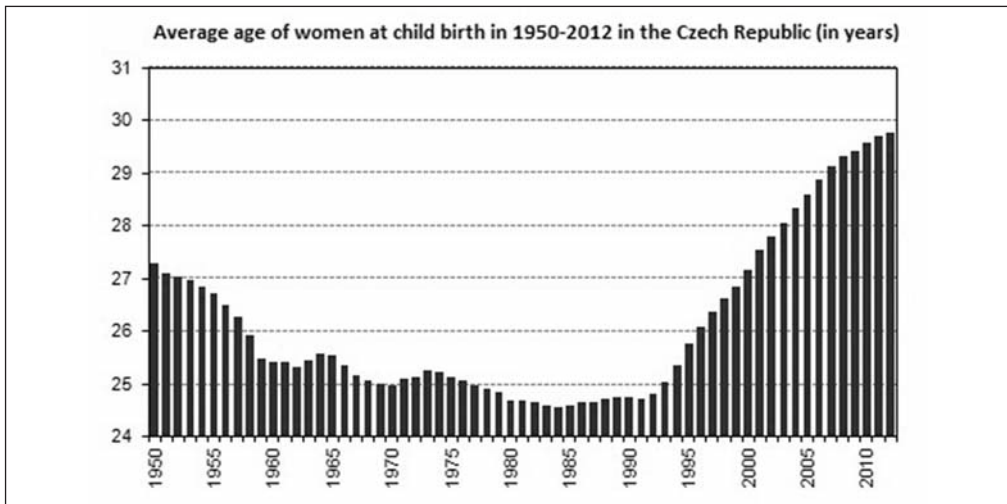


Source: Czech Statistical Office

Women with higher income gain less in marriage than other women because their high income reduces their demand for children and the benefits of division of work in marriage based on sexes. Therefore, women with higher income are more willing to get divorced than other women. The increase in women’s income over the last 50 years is the main cause of the increase in divorce rate over that period.

A divorced person used to be more stigmatized in the past than today. A divorced person was considered to be less agreeable than a non-divorced person because an unpleasant nature is one of the causes of divorce.²⁸ And what is more, a person who had been divorced twice was even more stigmatized than a person divorced only once. The likelihood of a divorced person

²⁸ BECKER, G. A. *Treatise on the Family*. London: Harvard University Press, 1993, p. 340.

Graph no.5: Average age of women at child birth in 1950–2012 in the Czech Republic

Source: Czech Statistical Office

having been unlucky in his/her choice of partner is reduced with the number of divorces. If a divorce results in a stigma, the divorced person may get married only under less convenient conditions than in his/her first marriage. Until the beginning of the 20th century, Zm was in most cases bigger than Zd. Birth rate was high at that time and only few women entered the labour market. With the entrance of women in the labour market and the increase in their economic independence, the number of cases where Zd gains were bigger than Zm gains have increased. The growing number of divorces has reduced the stigmatization of divorced people.

It is true that some divorces cause damage to children. It is also true that the extent of damage to such children if the parents stayed together cannot be researched. Even if the parents do not change the degree of altruism towards their children after divorce, their children may suffer from the fact that their contact with one parent is not as frequent as before. Practice has shown that divorced fathers become less altruistic towards their children with the reduced frequency of seeing each other. This explains the reason for some fathers not paying maintenance and support for their children in time and in due form, which supports the conclusion that divorce worsens the situation of children. A divorce may cause damage even to the wife/husband if she/he has more children and does not earn a lot in the labour market, especially if the father/mother of the children does not comply with his/her financial obligations towards the children.

State and Family

Children are not able to take care of themselves for many years. Because they are not able, owing to their intellectual development, to enter into agreements with their parents, upbringing of children is regulated by legal and social standards. Law punishes child abuse, sale of children, and abortions, provides for compulsory school attendance, lays down stricter rules for divorces of couples with small children, and determines the mini-

mum age for entering into marriage. Public policy may prevent a child from inefficient, self-damaging behaviour. Many countries require, for instance, that parents give consent to their children's marriage. Minors are not allowed to purchase alcohol.

We have already mentioned above that parents are altruistic because their benefits result not only from their own consumption, but also from the benefits of their children. It must be added that some parents benefit less from their children's consumption than from their own consumption and would like to increase their own consumption to the detriment of their children. However, the law does not allow them to leave their children in debt. Such parents may satisfy their consumption by reducing investments into the human capital of their children and saving money for a later period. Thus, in the absence of governmental interventions and social standards, the human capital of children would easily get underrated in certain cases.²⁹ State interventions in the form of state-funded education increase investments in children and reduce the inequality of opportunities of richer and poorer families. According to Becker, expenses on education and elderly people are the results of a social agreement. Taxes paid by adults enable investments in children. In return, adults get a pension when they grow old. The said agreement seeks to achieve for the poorer and middle classes what richer families could get without governmental help, namely efficient investments in children and support of elderly parents.

Conclusion

The main purpose of marriage and family is breeding and upbringing of children. Women, as a rule, used to get married earlier than men owing to maternity. Men used to get married later owing to their investments into human capital. Owing to the equalization of men's and women's investments into human capital, the age of partners when entering into their first marriage is currently very similar. The more information the partners get on each other in the marriage market, the smaller the likelihood of a divorce shortly after entering into marriage. Parents prefer their own children to children of others because they have more information on their own children's genetic makeup and on the environment in which the child has lived from his/her early age. The demand for children depends on a child's price and income received for such child; the price of a child is also significantly influenced by the change in the value of married women's time because the value of the mother's time forms the main part of the price of breeding and upbringing of children. With the involvement of the women in the West in the working process over the last hundred years, women have become more economically independent of men and, moreover, the value of their time has increased. This is undoubtedly the main cause of the decrease in birth rate in the West. New methods of contraception and an increase in the number of involuntarily sterile couples have no substantial influence on the decrease in birth rate. The modern epoch has brought changes in the division of work between partners. Women specialize less in home activities and men spend more time doing household chores. Wage rates increase the amount of time spent at work and the demand for goods and reduce the amount of time devoted to home activities and care for children. This fact increases the demand for kindergartens. The author considers the interventions into the family life presented in this article to be regulations contributing to good and efficient operation of the family.

²⁹ BECKER, G. A. *Treatise on the Family*. London: Harvard University Press, 1993, p. 367.