

The Effect of Economic Inequality on Assortative Matching: The Formation and Dissolution of Marriages
(joint with Ran Abramitzky and Netanel Ben-Porath)

Abstract

While assortative matching is widely recognized as a driver of income inequality, this paper investigates the reverse causal link: whether rising labor market inequality triggers greater marital sorting. We exploit the staggered transition of Israeli kibbutzim from egalitarian sharing to market-based economies as a natural experiment. By linking wages to education for the first time, this reform introduced significant economic returns to schooling. Using a difference-in-differences approach, we find that increased inequality led to higher divorce rates among educationally mismatched couples, specifically where the wife's education exceeded the husband's—a result consistent with the "male breadwinner" norm. Furthermore, the reform intensified assortative matching among new unions, significantly reducing educational disparities within marriages. Notably, while sorting existed prior to the reform, the transition to market wages substantially amplified it. Our results demonstrate that labor market shocks propagate into the marriage market through both selective dissolution and formation, ultimately compounding inter-household inequality.