"Women's Liberation as a Financial Innovation"

Abstract

Property rights are at the heart of capitalism's ability to efficiently allocate resources. Historically, married women have been one of the groups with the greatest legal disabilities in this regard, to the benefit of their husbands. Starting in the second half of the 19th century, common law countries, which were entirely dominated by men, gave married women property rights. Be- fore this ‘‘women's liberation,'' married women were subject to the laws of coverture. Coverture had detailed laws as to which spouse had ownership and control over various aspects of property both before and after marriage. These laws created a strong disincentive for women to invest in financial as- sets, such as stocks, bonds, and even bank deposits. This paper develops a general equilibrium model with endogenous determination of women's rights in which these laws affect portfolio choices, leading to inefficient allocations. We show how technological advancement eventually leads to men granting rights, and in turn how these rights affect development. Exploiting cross-state variation in the timing of rights, we show that increases in non-agricultural TFP predict the granting of rights. The granting of rights in turn leads to a dynamic labor reallocation towards the non-agricultural sector, representing further development. Finally, we show that women's rights are associated with lower interest rates and greater financial intermediation, consistent with an increase in the supply of credit.