

The Economics of Dowries in India:

Vijayendra Rao, Development Research Group, World Bank

Forthcoming in in *Oxford Companion to Economics* (Kaushik Basu, editor), Oxford University Press, 2006 (forthcoming).

For most Indian parents the cost of a daughter's marriage is the single largest expense of their lives. In one rural sample the average cost of a daughter's marriage was six times the parents' annual income and, consequently, a cause of indebtedness and destitution (Rao, 1993). This expense is often labeled a "dowry."

The term dowry, however, has many different meanings: It is a gift made to cement bonds between two families – usually given in the form of jewelry or clothing. It is an investment to assist the newlyweds in setting up their homes – in the form of durable goods, or contributions towards a new business venture. It is a "pre-mortem" bequest to a daughter – enabling her to obtain a *stridhan* that she would not customarily be entitled to on the death of her father. It is a symbolic expense used to celebrate the marriage in an appropriate manner. And it is a "groomprice" – a transfer made to the groom's parents as an inducement to agree to the marriage. The academic and popular discourses on dowries both tend to confuse these different meanings, but they have extremely different implications for marital incentives, household bargaining, and the status of women.

Dowry as "Groomprice":

The last category of dowry as "groomprice" is of primary concern because several scholars have noted that groomprices in South Asia have risen in South Asia over the last six decades, vastly exceeding general price inflation. It is for this reason that we have a "dowry problem," and a host of related social problems such as discrimination against girl-children, and violence against women. Why dowries exist and why they have risen are among the most interesting questions in Indian social science, and have generated a large body of scholarship. There is little disagreement that there are some fundamental patriarchal conditions that lie at the root of the problem including:

- 1) A woman's primary role as a mother and daughter with limited options outside marriage.
- 2) A daughter who stays unmarried beyond a certain age, and her parents, face high social costs.
- 3) Divorce is practically non-existent.
- 4) Women are customarily denied inheritance rights.
- 5) Marriages are arranged between the parents of brides and grooms to largely reflect the interests of parents.

These conditions tell us why dowries might exist in the first place, but theories of why groom-prices have risen have to focus on changes that may have taken place to reduce the relative worth of women in the marriage market. On this subject, economists have

provided two major explanations - one demographic, and the other status based¹. The demographic explanation, originally proposed by the demographer Jack Caldwell and developed by Rao (1993), lays the blame on population growth. A sharp decline in mortality, first noticed in the Indian sub-continent in the 1920's, resulted in increases in population growth because fertility did not decline at the same pace. High rates of population growth resulted in a pyramidal age structure – that is, each year more babies were born than in the previous year so there were always more young people than older people. Since men typically marry women who are 5 to 10 years younger than them, this means that there were always more women in the “marriage market” than men creating a “marriage squeeze.” Counteracting this effect was the fact that in India, there are more boys than girl of the *same age* – a consequence of the famous “missing women” phenomenon. However, till very recently the “marriage squeeze” overwhelmed the “missing women” effect resulting in about 1.2 women for every man in the marriage market. This has shown to have been correlated with the rise in dowries (Rao 1993, 2000).

If women had options outside marriage the marriage squeeze would have not led to an increase in dowries. Women who had better opportunities in the labor market or benefited from more favorable inheritance laws could choose to not get married or stay unmarried for a longer time. This would have reduced the demand for grooms, and also reduced the surplus supply of brides of marriageable age. The key issue, therefore, is not the effect of population grown alone, but its interaction with the patriarchal context prevalent in the Indian sub-continent.

An alternative explanation for the rise in dowries puts the blame on the drive towards social status. The original variant – proposed by the sociologist M.N. Srinivas - argued that Brahmins had always paid dowries in their marriage rituals. Low caste groups, in an attempt to acquire higher social status, started emulating Brahmins in a process he called “Sanskritization,” and started to pay dowries. This explanation has two problems – first it falls into the common trap of confusing the various types of transactions that fall under dowry - there is little evidence that most Brahmins always paid a groomprice. Second, it does not seem plausible that Brahmin-emulation is any longer an important goal for lower castes.

Anderson (2003) has proposed a related but different theoretical explanation that focuses on the search for status in a developing economy. Considerations of caste-based status matter a great deal in India, along with economic motives, in driving marriage choices and marriages are almost always arranged within endogamous caste groups. To remove any marriage-squeeze considerations, Anderson assumes that there are equal numbers of men and women in the marriage market. Potential brides would prefer, if possible, to marry higher-caste grooms because caste is patrilineally determined. Anderson argues that the development process makes incomes more unequal, even within caste groups, and high-caste brides would prefer rich high-caste grooms to poor ones. But, prices paid

¹ There is also a third, much earlier, explanation due to Rajaraman (1983) which lays the blame on the relative increase in economic opportunities in favor of men over women in the labor market. While interesting, the claim is difficult to justify on empirical grounds.

for poor high-caste grooms will not fall below a reserve price. This is because low-caste brides would be willing to pay a premium to marry high-caste grooms, even if they were poor. Since it would be unacceptable for a high-caste bride to marry a low-caste groom, this potential competition from low-caste brides would force high-caste brides to match their price. Thus, the groom-price that a low-caste bride would pay for a poor, high-caste groom would provide a floor below which the price of high-caste grooms could not fall. However, development would produce more rich grooms who would command high dowries. Thus, the average price of higher-caste grooms would rise. Since there is a large hierarchy of castes in India and most castes are ranked higher than some other caste – the average price of grooms would rise.

The marriage squeeze and status explanations for the rise in groom price are not incompatible because the marriage-squeeze would simply exacerbate status competition. However, they have different prognoses for the future of groom-prices. Population growth rates in India are declining sharply and at the same time the number of missing women is increasing with worsening population sex-ratios. Cohorts born in this vastly different demographic regime will soon reach marriageable age, and this will cause a sharp reversal in the marriage squeeze. Therefore, if the marriage squeeze explanation for the rise in dowries is valid, this should cause groomprices to stop their rise and possibly even fall or turn into brideprices – men would pay women for the privilege of their hand. On the other hand, if groomprices are primarily driven by status competition, they will continue to rise with increased economic growth, unless there is a fundamental change in the relationship between caste and marriage.

Wedding Celebrations:

Groomprices, as noted above, represent only one part of the burden at marriage, albeit a very important one. Wedding celebrations are getting increasingly lavish and are now almost as large as groom-prices, but the economics of wedding celebrations are rather different. This is because they are not a transfer from one family to another, but a symbolic expense that mainly serve a signaling function – rather like burning expensive firecrackers. What drives these large wedding celebrations? Bloch, Rao and Desai (2003) ask this question in the context of poor families in rural Karnataka where marriage celebrations mimic urban patterns. Like Anderson, they argue that the primary motive, is social status, but the mechanism driving it is rather different. Signaling has to serve the function of transmitting information. There is no point showing off if no is watching. If wedding celebrations are a signal for social status then it must be the case that families that have newly acquired a higher social status should, everything else equal, celebrate more lavish weddings if other people in the community are not aware of this higher status.

To test this hypothesis Bloch, Rao and Desai utilize a natural experiment – the rules of village endogamy which assert that some families have to marry spouses from outside their home village, while others are required to marry spouses from the same village.

If the spouse is from another village then the village will know less about him than if the spouse is from the same village. Thus, a lavish celebration can communicate information. However, if a desire for social status is driving celebrations then it is only when the spouse is from a high-status family, *and* from an outside village, will this fact be worth signaling via a lavish wedding celebration. What the data show is that marriage signals are at their most lavish, other things held constant, when the new spouse is rich and the kinship rule forces him/her to be from another village. By marrying a man from a rich family the bride's family has acquired a higher social status, and because the new in-laws are from another village the bride's home village would not be aware of this. Hence the result demonstrates that status signaling drives particularly lavish wedding celebrations.

Dowries and Domestic Violence:

High dowries do not merely have an economic impact but can also raise the risk of domestic violence, as numerous newspaper articles on "dowry violence" have outlined over the years. But the logic of this is unclear. Why would a man beat his wife in order to extract a higher dowry? Wouldn't this be self-destructive? Is domestic violence an entirely irrational act, or is it driven by an element of rationality? These questions are investigated by Bloch and Rao (2002) using a "participatory econometric" approach of mixing anthropological and economic methods with data from rural Karnataka. The model they develop has the following logic. Since men and women cannot get divorced the only way that a man can end the union is by committing an extreme act of violence - murder. The model assumes that there are two types of husbands - those who are capable of committing murder and those who are not. Since marriages are arranged, often with limited information, wives do not really know which type of husband they have married. There is a cost to violence in the form of legal and social sanctions so a rational husband would weigh the costs and benefits of violence before beating his wife.

If the husband chooses to beat his wife, he is revealing to her that he is a violent type who is capable of resorting to murder. Thus, violence is also a signal - communicating information about the type of husband and thereby instituting a "regime of terror." Given the possibility of this extreme threat the wife's parents then are forced to acquiesce to the demands of violent husbands in order to prevent him from exercising the ultimate threat of murder. Husbands who are capable of violence weigh the costs and benefits of being violent - and will only beat their wives when the benefits of doing so - extracting resources from the wife's family - outweigh the costs of social and legal sanctions. The model therefore predicts that, other things equal, wives who come with lower dowries are more likely to be beaten because husbands who received high dowries would be relatively more satisfied than those who received low dowries. It also predicts that husbands with richer in-laws would be likely to be beat their wives than those who have married women from poorer families, because violent husbands can extract more resources from rich in-laws than poor ones. Both predictions are borne out by the data.

The paper by Bloch and Rao focuses on the economic rationality underlying dowry-based violence but, of course, there are many other, less economically rational, reasons why

men beat their wives. Alcoholism, a desire to control behavior, sexual infidelity, age, social norms and sanctions, the internalization of unequal power relations, all contribute the risk of violence and have been the focus of large body of research by social anthropologists and public health scholars (Karlekar, 2004)

Given the importance of dowry as a social problem in India, the economics literature on it is rather small. There are many important questions that remain to be answered. What is the relationship between changing kinship structures and dowry payments? Who owns the dowry and do these patterns of ownership affect the risk of violence and the allocation of resources within the family? Is the reduction in the marriage squeeze having a significant impact on the size of groom prices? As caste-based marriage breaks down will the size of the groomprices decrease? Furthermore, all the data that have been collected on dowries show that there are substantial exchanges made on both sides of the transaction. That is, gift exchanges are central to marriage transactions. What happens to marriages that have relatively smaller gift exchanges during the wedding? What are the implications of this for the status of women and for informal insurance?

One reason for the small economics literature on the subject is the relative unwillingness of economists to spend a substantial amount of time in the field collecting data that is not available in conventional surveys. While this is changing, if economists are to study important but understudied topics such as this, a more anthropologically informed approach to data collection would be required.

References:

Anderson, Siwan, "Why Dowry Payments Declined with Modernization in Europe but Are Rising in India," *Journal of Political Economy*, Volume 111, #2, 2003, Pp: 269-310

Bloch, Francis and Vijayendra Rao, "Terror as a Bargaining Instrument: A Case Study of Dowry Violence In Rural India," *American Economic Review*, Vol. 92, #4, September 2002, Pp: 1029-1043

Bloch, Francis, Vijayendra Rao and Sonalde Desai, "Wedding Celebrations as Conspicuous Consumption," *Journal of Human Resources*, Vol. XXXIX, No. 3, 2004, Pp: 675-695

Karlekar, Malavika, "Domestic Violence," in Veena Das (Editor) *Oxford Companion to Sociology and Social Anthropology*, Oxford University Press, Delhi, 2004

Rajaraman, Indira, "Economics of brideprice and dowry",. *Economic and Political Weekly*,. 18 (8) (1983), pp. 275-278

Rao, Vijayendra, "The Rising Price of Husbands: A Hedonic Analysis of Dowry Increases in Rural India," *The Journal of Political Economy*, Vol. 101, No. 4, August 1993, Pp: 666-677.

Rao, Vijayendra, "The Marriage Squeeze Interpretation of Dowry Inflation: Response."
Journal of Political Economy, Vol. 108, #6, December 2000.