

**His Dollar  $\neq$  Her Dollar  $\neq$  Their Dollar:  
The Effects of Couples' Money Management Systems on Union  
Dissolution and Women's Labor Force Participation**

[Running head: Relationship and Economic Effects of Money Management]

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**Abstract:**

Most analyses of time and resource allocation in couple households ignore what couples do with their money, assuming that money is “absolutely fungible, qualitatively neutral, infinitely divisible, [and] entirely homogeneous” (Zelizer 1994). If, instead, couples’ money management sets the agenda for household bargaining and serves as a mechanism by which couples “do gender”, we should expect that what couples do with money at an earlier period will have an independent effect on subsequent allocative outcomes. Using three waves of data from the Fragile Families and Child Wellbeing, I find that the money management system a couple uses at the 12-month survey is a significant predictor of both union dissolution and women’s labor force participation at the 30-month survey, net of other predictors of these outcomes.

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Money management is a crucial and under-examined intermediate step in household resource allocation—what Pahl (1990: 120) has called “a black box in the space between earning and spending.” Compared to individual income or household spending patterns, whose determinants and consequences have been studied extensively, very little quantitative research on household economic behavior in the United States seeks to understand why couples manage money the way they do—combining money in joint accounts, for example, versus keeping it separate—or, perhaps more importantly, how those choices may influence key relationship or economic outcomes.<sup>1</sup> Yet evidence drawn largely from qualitative studies conducted in Europe suggests that money management may play a significant role in couple households as a mechanism for the operation of gendered social norms and may serve an agenda-setting function in the negotiation of power within the household.

This paper analyzes the importance of couples' use of different money management systems as a predictor of two demographically and socially important outcomes: union dissolution and women's labor force participation. Gaining a better understanding of the determinants of these outcomes is important for both theoretical and policy reasons. To date, however, research employing the main theoretical models of household behavior, including specialization and bargaining models, has focused almost exclusively on individuals' relative or absolute income, while ignoring what happens to money after it has been earned. If Zelizer (1994) is correct that household members' earmarking of income from different sources may transform monies received from the market into distinct domestic currencies with different socially accepted uses and users,

then research that ignores money management may prove inadequate for understanding key aspects of household social and economic relations.

I use longitudinal data from the first three waves of the Fragile Families and Child Wellbeing Study (FFCW), which is the first panel survey in the United States to ask both married and cohabiting couples at more than one point in time how they managed their money. These data allow me to examine the influence of couple's money management at a prior time on two important aspects of their subsequent behavior—whether they divorce or separate, and how much time the woman spends in paid employment. I find that, particularly for married couples, money management plays an important role in both outcomes, independent of partners' earnings and other individual or relationship characteristics. This finding suggests that money management does, in fact, have a role in setting the agenda for household negotiations and, accordingly, that the causes and effects of what couples do with their money warrant further scholarly consideration.

## BACKGROUND

Family researchers' analyses of a wide variety of couple outcomes related to the allocation of household resources, including the division of housework, women's labor force participation, and union stability, commonly rely on either unitary household models, particularly Becker's (1981) theory of household specialization and exchange, or resource theory or bargaining models (e.g., Blood and Wolf 1960; Lundberg and Pollak 1994, 1996; McElroy and Horney 1981). While these theories make different predictions about the role of individual partners' income, they have in common the assumption that money is "an absolutely fungible, qualitatively neutral, infinitely divisible, entirely

homogeneous medium of market exchange" (Zelizer 1994)—that is, that a dollar is a dollar, labeling monies is unimportant, and therefore the accounts into which various monies are placed on entering the household are irrelevant to how those monies will be used. None of these models is fully satisfactory, however, in explaining couple behavior and outcomes.

Under unitary household theories, the sources of household income are ignored under the assumption that the household functions as a unit with a single decision-maker (Becker 1981). This assumption, along with the assumption of homogeneous and fungible monies, leads to the concept of household “income pooling” as understood by economists: a restriction on family demand functions such that household members “allocate [total income] to maximize a single objective function, ... [so that] only total income will affect demands” (Lundberg and Pollak 1996: 143).<sup>2</sup>

Because this model has been rejected repeatedly in empirical studies, which find that household spending and other outcomes indeed respond differently to income received by different household members (e.g., Browning and Chiappori 1998; Lundberg, Pollak and Wales 1996), many family researchers now rely on some form of household bargaining model. Bargaining models recognize the possibility of multiple household actors, whose potentially competing preferences interact with differences in bargaining power (usually derived from individual endowments or income) to influence the allocation of household resources (e.g., Lundberg and Pollak 1994, 1996; McElroy and Horney 1981). However, because bargaining models also assume that money is fungible and homogeneous, research based on such models does not take into account different systems for organizing money once it enters the household.

The failure to account for what happens to money after it enters households may help explain instances in which bargaining models have failed to predict household behavior. For example, several studies find that, contrary to the predictions of exchange or bargaining theories, increases in wives' relative contributions to household income do not consistently lead to decreases in their time doing housework (e.g., Bittman, et al. 2003) or increases in their husbands' time doing housework (e.g., Brines 1994). Instead, when wives earn more than their husbands, one or both partners may adjust their housework (upward for wives and downward for husbands) in an effort to conform to gender expectations. Couples' decision to combine money or keep it separate may facilitate such gender-based behavior, perhaps undoing earnings-based bargaining power by obscuring the partners' relative contributions. For example, based on qualitative research in Britain, McRae (1987:120-121) argued that "cross-class" couples, in which the wife held a more secure or higher-status job, were especially likely to treat both incomes as "joint funds...[which] allows these differences to be smoothed over in family life [and] allows an ideology of equality to surmount a reality of inequality."

Several authors discussing household bargaining models have acknowledged that social norms may influence outcomes, although the ways in which such norms operate is often left unspecified. Lundberg and Pollak (1994) suggest that history and culture, and in particular social norms regarding the gendered division of labor within households, are likely to influence which among several theoretically possible equilibria are chosen when household allocation is modeled as a non-cooperative game. Agarwal (1997) suggests that norms may set limits on bargaining by "defin[ing] which issues can legitimately be bargained over, and which fall in the arena of the uncontestable" (at 15).

Couples' money management may serve as a mechanism through which social or cultural norms influence bargaining. Qualitative studies suggest that decisions whether to put money together or keep it separate are indeed influenced by aspects of the social relations between individuals in households, including their ages, gender roles, and relationship to each other, and are also affected by extra-household cultural factors. Vogler and Pahl (1993) found that in Britain, married couples' money management varies according to the historical prevalence of employment for married women in different regions. Zelizer (1994) showed how gendered norms influenced the labeling of household monies in the United States in the early twentieth century: married women's earnings were "defined as pin money, categorized as supplementary income, and used for the family's extra expenses" (at 63), rather than being seen as supporting the household. Such results are consistent with a quantitative, cross-national study by Treas and Widmer (2000), which found that social context influences how couples handle their money. For example, they found that a country's cohabitation rate and proportion approving of women working is positively associated with couples keeping money separate.

By operating as a mechanism for implementing social norms, couples' money management may serve an agenda-setting function in the process of negotiating power in the household. As with social norms more generally, money management systems may set the scope for bargaining, limit what gets bargained over, themselves be the subject of bargaining, or influence future rounds of bargaining by affecting present allocation (see Agarwal 1997). Consistent with this, Vogler (1998) argues that money management systems "affect the balance of power within the household not because they directly determine the outcome of decisions ... but rather because they set the agenda and

structure the context within which financial decision making takes place... [thus] precluding alternatives so that people come to see the status quo as natural, inevitable, and common sense” (at 698-99).

The next question, if money management does “set the agenda” in household bargaining, is how do particular money management systems influence allocations? Is a joint account really equally shared, or does the primary earner (often male) tend to control its use? Does keeping money separate increase or decrease women's bargaining power? As discussed below, as a theoretical matter, the expected direction of those influences is unclear.

Prior qualitative research has largely focused on women’s access to personal spending money under different money management systems and offers conflicting accounts of whether common pot management leads partners within a couple to have more or less equal access to money. Historical evidence suggests that the joint account arose as a method of household money management for married couples in the early to mid-Twentieth Century in response to two concurrent trends: the transformation following industrialization from a co-producer to a male breadwinner division of labor and a growing ideology of equality within marriage (Cheal 1993; Zelizer 1994). Thus, an explicit purpose of marital joint accounts was to equalize access to resources between male wage earners and female homemakers. Given persisting disparities in earnings by sex, if joint accounts serve to transfer or smooth income between men and women, they should reduce inequality and increase women’s access to resources. Indeed, Cheal (1993) found that in breadwinner/homemaker families, joint accounts “appeared designed to facilitate shared use of a [male] family wage, through asymmetric deposits and

withdrawals” (at 206). Singh (1997:60-61) argued that pooling money in a joint account "works by denying shares, by making the individual collective" and shifts emphasis from the individual earning to the joint spending of money, while Oropesa and Landale (2005) argued that use of a common pot suggests greater fairness or equality in the distribution of resources.

However, it is also possible that rather than equalizing access to resources, the common pot instead masks ongoing inequalities (Burgoyne 1990). As Nyman (2003:82) argues, “[e]ven when incomes are pooled and claims to ownership withdrawn in the name of sharing, perceived implicit or explicit claims to ownership may persist under the surface, influencing how money is perceived and handled.” Particularly at middle and upper income levels, men are more likely than women to control joint accounts (Pahl 1990), and several studies document women’s greater discomfort with spending money from the joint account on personal needs, particularly when they have not contributed income to it (e.g., Burgoyne 1990; Elizabeth 2001; Nyman 2003).

Prior studies also provide mixed evidence for whether keeping money separate should increase or decrease women’s bargaining power. One set of arguments suggests that for women’s earnings most effectively to influence bargaining, their money needs to be made visible by being kept separate from the common pot (Blumstein and Schwartz 1985; Burgoyne 1990; Nyman 2003). While not all separate money is necessarily visible to the earner’s partner—couples may not share financial information—Nyman (2003) argues that even when information is not shared, separate money can “facilitate independence and may thereby indirectly increase the power of the holder” (at 84). For example, Pahl (1999) suggests that keeping money separate may sometimes have the

explicit purpose of allowing individuals to avoid a partner's oversight of their spending, and Nyman (2003) found that the perception of freedom to spend as they wished was important to the women she interviewed who kept money separate, even when the amount of money in their accounts was small relative to their partners'.

Alternatively, keeping money separate may reduce women's bargaining power or access to resources if used as a means of labeling women's earnings as "pin money" that is different from income used to support the household (Vogler 1998; Zelizer 1994). Depending on how contributions to household expenses are structured, separate money management systems designed to maintain each partner's financial independence may in practice limit women's access to resources. For example, several studies have found that cohabiting couples are particularly likely to combine separate money with an "equality principle" that dictates equal contributions to household expenses and leaves lower-earning women with less money for themselves (Blumstein & Schwartz 1985; Singh & Lindsay 1996; Vogler 2005). Indeed, cohabiting men in Blumstein and Schwartz's study said explicitly that they preferred to keep money separate because they did not wish to support a dependent partner.

### Does Money Management Matter?

In this paper, I address two questions: 1.) Does the way a couple manages money affect key relationship and economic outcomes above and beyond the influence of each partner's income, suggesting that money management indeed intervenes between earning and spending? 2.) What does the direction of effect of a particular money management system—the common pot, mixed joint and separate, or all separate—imply about how

that system affects partners' relative power or wellbeing within the household? In order to answer these questions, I consider the influence of money management on union dissolution and women's labor force participation, both of which have been assumed, under specialization and bargaining models, to be influenced by partners' individual incomes but not by couples' money management practices.

Household specialization models suggest that increases in a woman's income would affect union dissolution by reducing the gains to marriage (e.g., Becker, Landes and Michael 1977), while bargaining models suggest that such increases augment the woman's bargaining power within the relationship. Under the assumption of fungibility and homogeneity of household monies, the use of joint versus separate accounts would not be expected to influence union dissolution decisions. Only the partners' individual incomes should matter. If money management does influence relationship stability, above and beyond the influence of individual incomes, this would suggest that money management systems do indeed serve an agenda-setting function within the household.

In the first multivariate analysis in this paper, I consider union dissolution at time two as the dependent variable and analyze whether a couple's money management system at time one has an independent effect when controlling for partners' individual incomes and a variety of variables thought to influence relationship stability. Because previous research has established both that the factors influencing union stability differ for married versus cohabiting couples (Brines and Joyner 1999) and that married couples are considerably more likely than cohabitators to put all their money together (Blumstein and Schwartz 1985; Singh and Lindsay 1996; Heimdal and Houseknecht 2003; Author

2004, 2006), I conduct separate analyses for couples who were married or cohabiting at the earlier point in time.

The use of panel data in which the key independent variables are drawn from an earlier time period than the dependent variable, as well as controls for other factors likely to be associated with both money management and relationship stability, both help to establish the direction of causality from money management to relationship stability (see Oropesa and Landale 2005). Nevertheless, it is possible that this analysis will suffer from endogeneity problems. For example, one or both partners in couples who kept their money separate at time one may have known they were likely to dissolve their relationship and have been keeping money separate in anticipation of their breakup. It also seems possible that keeping money separate is simply a marker for an otherwise unmeasured aspect of relationship commitment or trust—an interesting finding in itself, and consistent with Treas' (1993) contention that couples choose different money management systems based on their expectations for relationship continuity. In order to further evaluate the direction of causality and likely meaning of any associations found in the first analysis, I then turn to the analysis of women's labor force participation in married and cohabiting couples. Because this second analysis considers only couples who are together at both points in time, it is less likely that couples who keep money separate are doing so in anticipation of a breakup.

In the second set of multivariate analyses, the dependent variable is based on the number of hours the woman worked per week. Women's and/or their partners' endowments, earnings, or potential earnings are considered under most household models to be important predictors of whether and how much a woman will work. Once again,

the assumption of money's fungibility and homogeneity under both unitary and bargaining models implies that when each partner's endowments, earnings, potential earnings, and other key factors such as the age and presence of children are included in a model of women's labor supply, how the couple manages money should have no effect.

These analyses include only couples who were in a relationship at both earlier and later interviews and were asked about their money management practices at both times. Thus, it is possible to address two possible sources of endogeneity or selection problems in the association between money management and the labor supply outcome. First, as noted above, in this analysis it is less likely that one or both partners were keeping money separate in anticipation of a breakup. Second, it is also possible that some other unmeasured qualities of one or both partners make it both more likely that they keep money separate and that the woman works more hours. To address these concerns, I conduct fixed-effect analyses that remove the influence of any such constant individual characteristics. However, the results of fixed-effects analysis are driven by *changes* in independent as well as dependent variables, and it is possible that couples may change how they manage money *in response to* changes in the woman's labor supply between the two surveys. It is also important to know what the effect is on labor supply when couples do not change their management of money between survey waves. Thus, a final multivariate analysis examines the effect of use of joint money at both times, separate money at both times, and switches from one system to the other on labor supply at time two, while including a lagged measure of the dependent variable.

In addition to establishing whether money management has an independent effect on relationship stability and labor supply outcomes, the above analyses will also answer

my second question: what is the direction of influence of joint money, mixed joint and separate monies, or separate monies on these outcomes, and what does this imply about how money management affects partners' bargaining power within relationships?

While in the case of union dissolution, it is relatively straightforward to assume that couples who separate or divorce were worse off in their relationships than those who stay together, in the case of women's labor supply, it is less clear what responses should be considered to reflect positive versus negative outcomes. On the one hand, it seems reasonable to assume that people work more in response to need, in which case if one money management system is associated with an increase in women's labor supply, women in relationships using this system can be considered worse off. This is the standard assumption in most economic research—that people would prefer to work less, other things being equal. However, this assumption is not entirely satisfactory, given the likelihood that many people derive satisfaction, as well as a variety of social rewards or benefits, from their work, and given that women's time outside of paid employment often cannot be fairly characterized as leisure (see, e.g., Hochschild 1997). Nonetheless, in this analysis, I follow the convention that increased work results from need.

While the focus of analysis in this paper is on the relationship (if any) between couples' money management systems and two outcomes—union dissolution and women's labor force participation—the models also include other possible influences on these outcomes. For example, perhaps because both money management and union stability are associated with the level of commitment within a couple, they share many common influences. One of the most significant among these is marriage (versus cohabitation), which prior studies show increases the likelihood of using a common pot system of

money management (Author 2004, 2006; Heimdal and Houseknecht 2003; Oropesa, Landale and Kenkre 2003) and decreases the likelihood of union dissolution (see, e.g., Osborne, Manning and Smock 2004). Another important factor is the couple's race or ethnicity. Prior research suggests that African American couples are more likely to keep money separate (Author 2006; Treas 1993) and that their unions are more likely to dissolve (Brines and Joyner 1999; Carlson, McLanahan and England 2004; Osborne, Manning and Smock 2004). Older couples are both more likely to use a common pot (Heimdal and Houseknecht 2003; Author 2006; Treas 1993) and less likely to separate or divorce (Brines and Joyner 1999; Manning and Smock 1995; Osborne, Manning and Smock 2004).

Perhaps due to differences in relationship investments or "sunk costs" (Treas 1993), couples' money management and relationship stability are also both affected by their prior relationship histories. Thus, couples who have been married before, or in which the man has had children in a previous relationship, are more likely to keep money separate (Heimdal and Houseknecht 2003; Author 2006; Treas 1993; Treas and Widmer 2000) and more likely to divorce or separate (Brines and Joyner 1999; Carlson, McLanahan and England 2004; Osborne, Manning and Smock 2004), while those who have additional children together are more likely to use the common pot (Oropesa, Landale and Kenkre 2003) and to stay together (Brines and Joyner 1999; Carlson, McLanahan and England 2004; Osborne, Manning and Smock 2004).

A number of studies have shown associations between money management and the man's education, employment, or earnings (Heimdal and Houseknecht 2003; Oropesa, Landale and Kenkre 2003; Treas 1993) and/or the woman's education, employment, or

earnings (Author 2006; Oropesa, Landale and Kenkre 2003; Treas 1993), all of which have been associated with union stability (Brines and Joyner 1999; Carlson, McLanahan and England 2004; Osborne, Manning and Smock 2004; Smock and Manning 1997). Couples' relationship quality, measured in terms of supportiveness and affection, is positively associated with the use of common pot money management (Author 2006) and negatively associated with separation or divorce (Carlson, McLanahan and England 2004; Osborne, Manning and Smock 2004).

Many of these factors have also been found to be important determinants of women's labor force participation, including the woman's race or ethnicity (Averett and Hotchkiss 1997; Corman, Reichman and Noonan 2004); both partners' ages (Averett and Hotchkiss 1997; Corman, Reichman and Noonan 2004; Wakabayashi and Donato 2005); and the couple's relationship history, including children by previous partners (Corman, Reichman and Noonan 2004; Lehrer 1999). Of course, among the most important determinants of women's labor supply at a later point in time are her education, earlier employment history, and earlier wages (Averett and Hotchkiss 1997; Corman, Reichman and Noonan 2004; Wakabayashi and Donato 2005). In addition, women's labor supply may be influenced by their husband or partner's unearned (Winkler 1997) or earned (Lehrer 1999; Risman, Atkinson and Blackwelder 1999) income. Finally, in the analyses of women's labor supply, I also include controls for the focal child's and the woman's own health, which have not been considered in previous studies of couples' money management, but which have shown a significant relationship to women's labor supply (Corman, Reichman and Noonan 2004).

## DATA AND METHODS

### Data

Data for this study come from the first three waves of the Fragile Families and Child Wellbeing Study, an ongoing national birth cohort study of parents and their children (McLanahan et al. 2003). Data were collected in 20 U.S. cities, which were stratified on employment patterns and welfare generosity to be representative of large cities in the United States. At baseline, approximately 3,600 unmarried and 1,100 married women were interviewed in the hospital within 48 hours of the focal child's birth, with their husbands or partners interviewed either in the hospital or soon thereafter. Couples were re-interviewed when the focal child was approximately 12, 30-36, and 60 months old. These data are invaluable for the present research, because couples were asked questions regarding the system of money management they used in both the 12- and 36-month waves of the study. The study also includes extensive information on other factors found in previous studies to be associated with union dissolution and/or women's labor supply, including race and ethnicity, education, earnings, and relationship history and quality.

The two sets of analyses in this study use slightly different samples. The sample for the analysis of union dissolution consists of 1,934 couples from all 20 FFCW cities, 1,052 of whom were married and 882 cohabiting at the time of the 12-month survey, for whom information was complete on the variables used in the analysis. Unfortunately, in the 36-month survey, the questions about couples' money management were asked in only 18 of the 20 FFCW cities. Because the labor supply analyses are meant to isolate effects of couples' money management not associated with anticipated union transitions,

the sample for these analyses is limited to couples who were either married at both times or cohabiting at both times, producing a sample of 837 married and 446 cohabiting couples.

Although it is a rich and valuable data set, it is important to note that the FFCW is not representative of all couples in the United States. Instead, FFCW couples all have at least one young child together, live in a large city (over 200,000 population), and are heterosexual. However, the data do represent a substantial proportion of households with young children, a group whose union stability and labor force participation are of substantial theoretical and policy interest. In particular, because women often experience substantial declines in earnings following the birth of a child, the role of money management in facilitating or impeding women's access to household monies may have significant effects on the wellbeing of mothers and young children.

Table 1 presents descriptive statistics (proportions or means and standard deviations) on variables used in the analyses. In discussing these descriptive statistics below, I refer to the characteristics of the 20-city sample shown in the first two columns of Table 1.

**[Table 1. Descriptive Statistics (Percent or Mean and Standard Deviation) on Variables Used in the Analyses by Marital Status at 12 Month Survey]**

Dependent Variables

In the union dissolution analysis, the dependent variable is an indicator equal to one if the 12-month marital or cohabiting relationship had dissolved by the time of the 36-month survey.

The women's labor supply analysis considers the number of hours per week the woman was employed. Because of the ways in which women's labor supply is modeled

(first using fixed effects and then using a lagged dependent variable), the dependent variable becomes, in effect, a measure of the *change* in the woman's hours worked per week between the 12- and 36-month surveys.

### Primary Explanatory Variables

*Money management system at 12 months.* The key variable of interest in this paper is how the couple manages their money. In the union dissolution analyses, the measure of money management relies on information from the 12-month survey alone, since couples who divorced or separated by the 36-month survey were not asked about money management. The measure is based on a question that asked, "Couples handle their money differently. Which of the following do you do?" Available responses included (1) each keep your own money separate, (2) put some of your money together but keep the rest separate, or (3) put all of your money together (the reference category).

*Money management system at 12 and 30 months.* In the labor supply analysis with the lagged dependent variable, the information from this 12-month question is combined with information from the same question in the 36-month survey, and the two separated-money categories are collapsed, to create a variable with the following four categories: (1) Put all money together at both times, (2) Put all money together at 12 months, but keep some or all separate at 30 months, (3) Keep some or all money separate at both times, and (4) Keep some or all money separate at 12 months, but put all money together at 30 months.

As prior research suggests, married couples (75 percent) are more likely than cohabiting couples (51 percent) to say they combine all money in a common pot, and are

also less likely to change their money management system between survey waves (15.4 percent of married couples switched, compared to 26.5 percent of cohabiting couples).

### Control Variables

*Sociodemographic and other individual characteristics at 12 months.* Both the union dissolution and labor supply analyses include controls for the woman's and the man's age at the time of interview. Married women and men are, on average, about four years older than cohabiting women and men in this sample. The woman's race and ethnicity are measured by four indicator variables for non-Hispanic white (the reference category), non-Hispanic Black, Hispanic, and other. Almost 50 percent of the cohabiting sample is non-Hispanic Black, 35 percent are Hispanic, and about 20 percent are non-Hispanic white. By contrast, almost 44 percent of the married sample are non-Hispanic white, 27 percent are non-Hispanic Black, and 27 percent are Hispanic. An additional indicator variable, used only in the union dissolution analyses, is equal to one if the woman and man are from different racial or ethnic groups. Another indicator variable for the woman's nativity is equal to one if she was born outside the United States. A higher proportion of married (24 percent) than cohabiting (15 percent) women are foreign-born. Finally, because Carlson, McLanahan and England (2004) found that the woman's religious attendance was associated with union stability, I include an indicator variable equal to one if the woman says she attends religious services at least weekly.

*Relationship investments and quality at 12 months.* The couple's history of joint relationship investments, their history of other relationships, and their assessments of the quality of their relationship have been shown to be associated with union stability (see,

e.g., Brines and Joyner 1999; Osborne, Manning and Smock 2004). In the union dissolution analyses, I include a continuous measure (in years) of the duration of the couple's co-residential relationship at the time of the 12-month survey. Married couples have been together, on average, almost twice as long (6 years) as cohabiting couples (3.2 years). An indicator variable is equal to one if the couple have children together other than the FFCW focal child, which is more common among married (about 59 percent) than cohabiting (about 43 percent) couples. By contrast, in cohabiting couples, one or both partners are more likely to have had children by a previous partner (measured by two separate indicator variables for the woman and the man). The man's and the woman's assessment of the quality of their relationship is assessed using two separate indices based on a series of questions asked of each partner: (1) how often is [he/she] fair and willing to compromise when you have a disagreement? (2) how often does [he/she] express love and affection for you? (3) how often does [he/she] encourage you to do things that are important to you? (4) how often does [he/she] listen to you when you need someone to talk to? (5) how often does [he/she] really understand your hurts and joys? For each question, the possible responses were often, sometimes, or never. After coding the responses so that 3 was equal to often and 1 was equal to never, responses to all five questions were combined into two "relationship supportiveness" scales—one for the woman's assessment and one for the man's—that were averaged across the 5 questions and take values between 1 and 3 (Cronbach's  $\alpha=.74$  on the women's measure;  $\alpha=.69$  on the men's). Finally, two other measures of relationship quality are dummy variables equal to one if the mother said the father insulted or criticized her often or if she said men couldn't be trusted to be faithful.

In models of women's labor supply, children are usually included as possible impediments to women's employment rather than as evidence of relationship investments. Thus, the child measures in the labor supply analyses are slightly different. The fixed effects analysis includes a measure of the difference in the number of children under 18 in the household between the 12 and 36 month surveys. The lagged dependent variable analysis includes an indicator variable equal to one if the woman has had another birth or pregnancy since the FFCW focal child. Since having a child with health problems or a disability may also limit women's employment (Corman, Reichman and Noonan 2004), I include an indicator equal to one if the mother reported the FFCW focal child's health as fair or poor, or if the child has a physical or mental disability.

*Economic characteristics at 12 months.* Prior studies have shown either men's or women's earnings (or earning capacity), and sometimes both, to be predictors of union stability (e.g., Brines and Joyner 1999; Manning and Smock 1995; Carlson, McLanahan and England 2004) and women's labor supply (Lehrer 1999; Averett and Hotchkiss 1997; Wakabayashi and Donato 2005; Corman, Reichman and Noonan 2004). For both the woman and the man, education is measured with three dummy variables indicating that the individual has less than a high school education (the reference category), a high school degree or some college, or a college degree or more. Partners in married couples are far more likely (32 percent of women and 29 percent of men) to have a college degree than those in cohabiting couples (2.4 percent of women and 2.7 percent of men). The woman's and the man's earned incomes for the previous year as of the 12-month survey are included as continuous variables (measured in \$10,000 increments in the multivariate analyses).<sup>3</sup> Cohabiting women earned slightly more (\$7,543) than married women

(\$6,854), but cohabiting men earned substantially less (\$26,281) than married men (\$46,108). Two additional variables are relevant to the labor supply analyses. First, unearned income may also influence whether or how much an individual works (e.g., Winkler 1997). I include a continuous measure of the woman's report of non-wage income received either by her or her household for the previous year from a variety of sources, including benefit payments, help from family or friends, or child support from a previous relationship. Second, because the woman's own health is likely to be a factor in her labor supply, I include an indicator equal to one if the woman said her own health was only fair or poor, or if she reported having a disability that interfered with her ability to work.

Finally, all analyses include the number of months between the 12 and 36 month surveys, as a control for the amount of time that the individuals were exposed either to the risk of union dissolution or to changing hours worked per week. On average, about 21 months passed between interviews.

## Methods

The union dissolution analyses, conducted separately for married and cohabiting couples, are logistic regressions of union dissolution by the time of the 36-month interview on money management system and other control variables measured at the time of the baseline or 12-month interviews.

The labor supply analyses employ two different regression methods, each carried out separately on couples who were married or cohabiting at both time periods. First, I

use STATA's procedure for carrying out fixed-effects regressions on pooled panel data.

In this procedure, the model takes the following form:

$$(Y_{it} - \bar{Y}_i) = (X_{it} - \bar{X}_i)\beta + (\varepsilon_{it} - \bar{\varepsilon}_i)$$

where  $Y_{it}$  represents the value of the dependent variable for individual  $i$  at time  $t$ ,  $\bar{Y}_i$  represents the mean of those values over time for individual  $i$ ,  $X_{it}$  represents the values of the (non-fixed) independent variables for individual  $i$  at time  $t$ , and so on. Any individual characteristics that are constant across time are "subtracted out" using this procedure, so the model measures the effect of changes in explanatory variables on changes in the dependent variable.

Because, as noted above, I also wish to determine the effect of different money management systems when couples do not change them between survey waves, I then conduct the following Tobit lagged dependent variable (LDV) analysis:

$$Y_{it} = \gamma + Y_{it-1}\alpha + X_i\beta + \varepsilon_i \quad \text{if } \gamma + Y_{it-1}\alpha + X_i\beta + \varepsilon_i > 0$$

$$Y_{it} = 0 \quad \text{if } \gamma + Y_{it-1}\alpha + X_i\beta + \varepsilon_i \leq 0$$

where  $Y_{it}$  is the woman's hours worked per week at the 36-month survey and  $Y_{it-1}$  is the woman's hours worked per week at the 12-month survey. Here,  $X_i$  is a vector of explanatory variables, all of which, except for the money management variable (which, as described above, is in four categories to represent those who did and those who did not change systems), are measured at 12 months. Because a substantial number of women are not in the labor force, the measures of women's hours worked per week include many zero values. Therefore, this analysis is conducted as a Tobit regression, in which the dependent variable may be left-censored at zero (Tobin 1958).

## RESULTS

### Union Dissolution

Table 1 shows the distribution of couples by union status at the time of the 36-month survey. Among couples who were married at the time of the 12-month survey, 6.4 percent had divorced or separated by 30 months, while among couples who were cohabiting, 20.9 percent had separated.

Table 2 presents odds ratios from logistic regressions of union dissolution on the explanatory variables. For married couples, the results suggest the following conclusions. First, money management does have a strong and significant effect on union dissolution, even in a model that controls not only for each spouse's income, but also for a wide variety of other variables associated with union dissolution. Second, if unions are more likely to dissolve when one or both partners believe they would be better off outside the union, then keeping all money separate appears to be associated with reduced wellbeing in relationships. Specifically, the odds that a married couple will separate or divorce are 2.6 times higher if they keep all their money separate than if they combine their money. The strength of this relationship is particularly impressive, given the small number of married couples who split up and the relatively small proportion who keep their money separate. In contrast, partial separation of money has a much weaker and non-significant effect, while for cohabiting couples, keeping money separate does not predict union dissolution.

**[Table 2. Odds Ratios from Logistic Regressions of Union Dissolution by 36-Months on Money Management System at 12 Months and Other Explanatory Variables by Marital Status]**

Although these results for married couples suggest an independent role for money management in household resource allocation, they are nonetheless subject to potential endogeneity problems, as discussed above. These issues are addressed in the following analyses.

### Women's Labor Supply

Table 3 presents results based on the 18-city sample of a pooled, fixed-effects regression of women's hours worked on couples' money management system and a set of time-varying control variables. Because couples in these analyses were either married or cohabiting at both time periods, there is less concern that their money management systems were chosen in anticipation of a breakup. In addition, the fixed-effects model by design "subtracts out" measured or unmeasured characteristics that do not change over time. For married couples, again, the results suggest that money management has a strong independent effect on women's labor supply, even controlling for individual earning capacity and other variables associated with women's employment. In this analysis, keeping all money separate is associated with an increase of over five hours a married woman works per week (significant at  $p < .05$ ), while separating some money is associated with an increase of about 2.7 hours (marginally significant at  $p < .10$ ). Married women in couples that keep some or all money separate appear to have less access to resources than those in couples that use a common pot. For cohabiting couples, although the direction of the effects is the same, money management does not have a significant independent effect on women's labor supply.

**[Table 3. Coefficients from Pooled Fixed-Effects Regression of Woman's Hours Worked per Week on Money Management System and Other Explanatory Variables]**

The fixed effects analysis provides compelling evidence for an independent role for money management. However, because the model is based on information about how *changes* in money management affect changes in labor supply, this finding leads to two further questions, which are addressed below: (1) did couples change their money management system between the 12 and 30 month surveys *because of* a change in the woman's labor supply, rather than the reverse; and (2) what effects do joint versus separate monies have in couples that do *not* change money management over time?

Table 4 presents the results of a lagged-dependent-variable Tobit regression of the woman's hours worked per week at 30 months on a categorical measure of couples' money management at both time periods and other control variables. Because the woman's hours worked at 12 months is included as an explanatory variable, the dependent variable in this analysis still represents the change in hours worked between the two periods. Once again, the effects for married couples suggest a strong independent effect of money management on the woman's labor supply. The results show that the association between money management and labor supply is not driven simply by couples separating monies in response to an increase in the woman's hours worked (although such an effect also appears, given that when the couple has gone from joint to separated monies between 12 and 30 months, the woman increases her hours worked by 6.5 hours). In married couples who kept money separate at both times, the woman increases her hours worked per week by over 5.5 hours relative to couples who put all money together at both times. This effect is large and comparable in magnitude to the

effect on married women's labor supply of having had a recent birth, or to having a high school degree rather than less education, both of which are usually considered among the most important influences on women's labor supply. Notably, using this comparison (separate at both times versus together at both times), the magnitude of the effect for cohabiting couples is about the same—an increase of 5.85 hours per week—although the difference is only marginally significant ( $p < .10$ ).

**[Table 4. Coefficients from Lagged-Dependent-Variable Tobit Regression of Woman's Hours Worked per Week at 30 Months on Money Management System at 12 and 30 months and Other Explanatory Variables for Couples Married or Cohabiting at 12 and 30 Months]**

## DISCUSSION

A number of empirical studies using bargaining models of household resource allocation have found that, contrary to expectations, increases in women's income do not always translate into increases in bargaining power (Bittman, et al. 2003; Brines 1994). The evidence presented here suggests that one explanation for these findings may be that couples' money management systems, which are influenced by gendered cultural and marital norms, intervene between earning and allocation and exert an independent influence on outcomes. This appears to be particularly the case for married couples, among whom money management exercised a strong and significant effect on both union dissolution and women's labor supply in all analyses. When married couples in this sample kept their money separate rather than putting it all together, they were more likely to divorce or separate and the woman was likely to work more hours. These results suggest that household monies are neither fungible nor homogeneous—his or her money

is not the same as their money—and underscore the importance of understanding the role that money management plays in resource allocation.

The qualitative literature on money and couples provides alternative explanations under which joint versus separate money management could either increase or decrease women's apparent bargaining power. Keeping money separate could increase women's access to money and control over spending or, by keeping women's contributions visible, increase their bargaining power. Alternatively, separated money could indicate an earmarking of women's money for devalued particular uses ("pin money") (Zelizer 1994). Prior studies have suggested that women with their own income prefer to keep at least some of it separate. My results suggest that to the extent that some women do prefer to keep money separate, it is likely because this increases their autonomy in spending their individual income rather than because the increased visibility of the money increases their bargaining power over the allocation of total household resources. If money is kept separate for "earmarking" reasons, the results presented here offer support for Vogler's (1998: 708) observation that "equality based on different or separate spheres is a myth because it simply legitimates the initial inequalities" resulting from differences in men's and women's earned income.

In a context of substantial market inequalities in earnings, particularly during the early child-bearing and rearing years (when women's earnings are particularly likely to be restricted), some mechanism for transferring income from men to women within households is necessary if women are not to experience a lower standard of living than their partners. Common pot money management indeed appears to accomplish this purpose better than separate money management. Nonetheless, for some women, the cost

in lost autonomy, if men tend to control joint money, may be so great that they prefer restricted spending. For other couples, it may be the man's resistance to subsidizing his lower-earning partner that leads to separate money management.

The fact that these results are so much stronger for married than for cohabiting couples likely suggests not only that norms about money differ by marital status, but also that the cohabiting couples represented here are a heterogeneous group, whose relationships fall along a spectrum from closer to marriage to closer to casual dating. Prior qualitative research on childless cohabiting couples argues that the norm for such couples is to keep money separate and make equal or proportional contributions to expenses (Blumstein and Schwartz 1985; Singh and Lindsay 1996; Vogler 2005). Cohabiting couples with a child in common are very different than childless cohabiting couples, however, and it is not clear what norms apply to them. Winkler (1997) could not reject income pooling for cohabiting couples who had a child together, and Oropesa and Landale (2005) found that when cohabiting mainland Puerto Rican parents did use a common pot, they were no more likely to break up than married parents. Among those for whom the cohabiting relationship is a more of a substitute for marriage, money management may operate in much the same way as for married couples. Among those currently in more casual relationships, even (or perhaps particularly) those who plan to marry, keeping money separate until marriage may be more normative and may have a different relationship to current resource allocation or bargaining power. Because both types of cohabitators are together in these analyses (and it would be hard to completely distinguish them), the effect of money management on union dissolution and labor force outcomes may be muted.

Because my sample represents urban, heterosexual couples with a recent child in common, the results here do not necessarily apply to couples in other circumstances. People in different types of relationships or at different life stages may manage money differently, or their use of a particular money management system may have a different relationship to outcomes such as union stability and labor supply.

Nonetheless, while further research to investigate these relationships among other population groups is needed, the findings here are important. Couples with young children are a group of considerable importance for policy reasons. Given the extensive research attention paid to the largely negative effects of parental divorce and separation on young children, as well as the both positive and negative influences of women's labor force participation, the finding that parental money management practices influence both outcomes suggests that more attention needs to be paid to this mechanism. Finally, my findings underscore the importance for future research of incorporating detailed information on money management into household surveys, so that researchers can better understand the "black box" between household earning and spending.

**Table 1**  
**Descriptive Statistics (Percent or Mean and Standard Deviation)**  
**on Variables Used in the Analyses, by Marital Status at 12 Month Survey**

	Percent or Mean (s.d.)			
	20-Cities Sample		18-Cities Sample	
	Cohabiting (N = 882)	Married (N = 1,052)	Cohabiting (N = 446)	Married (N = 837)
<b>Dependent Variables</b>				
Separated or divorced at 30 mo.	20.9	6.4		
Woman's hours worked at 30 mo.	23.9 (20.1)	23.1 (19.5)	23.9 (20.1)	22.6 (19.3)
<b>Explanatory Variables</b>				
<b>Couple's money management at 12 months</b>				
All money separate	19.7	8.0	17.5	6.7
Some money separate	29.4	17.0	31.3	17.8
All money together	50.9	75.0	51.2	75.5
<b>Money management at 12 and 30 months, combined</b>				
Money together both times			37.2	66.6
Together at 12 mo, separate at 30			13.9	9.1
Money separate both times			36.3	18.0
Separate at 12 mo, together at 30			12.6	6.3
<b>Woman's characteristics (baseline or 12 months)</b>				
Age	25.1 (5.5)	29.7 (5.9)	25.2 (5.7)	30.0 (5.84)
Non-Hispanic white	19.7	43.8	20.4	44.1
Non-Hispanic Black	49.6	26.6	41.8	24.9
Hispanic	34.9	27.4	35.8	24.1
Other	2.2	6.7	2.0	6.9
Nativity non-U.S.	15.2	24.3	13.7	22.8
Religious attendance $\geq$ 1x/week	14.5	32.5	12.5	33.1
Birth or preg. since focal child	35.7	35.7	35.8	36.3
Child(ren) w/ prev. partner	41.0	17.8	40.7	17.3
Annual earned income	\$7,543 (10,432)	\$6,854 (12,585)	\$8,131 (10,494)	\$6,598 (12,521)
Hours worked/wk (12 mo.)	22.9 (20.0)	20.9 (19.1)	23.3 (20.0)	20.9 (19.0)
Fair/poor health/disability	15.8	12.3	14.8	11.4
Less than high school	44.2	20.1	43.0	16.9
High school degree, some college	53.4	47.7	54.4	48.5
College or more	2.4	32.2	2.7	34.7
Emotional support from man (index 1-3)	2.6 (.37)	2.7 (.37)	2.7 (.33)	2.7 (.33)
Partner insults, criticizes her often	6.4	4.1		
Believes men can't be trusted	18.1	10.1		
<b>Man's characteristics (baseline or 12 months)</b>				
Age	27.7	32.0	27.7	32.3

	(6.5)	(6.6)	(6.5)	(6.5)
Child(ren) w/ previous partner	38.2	19.1	39.8	18.6
Annual earned income	\$26,281	\$46,108	\$23,140	\$48,432
	(88,297)	(50,671)	(21,338)	(52,835)
Less than high school	48.3	22.5	48.3	19.8
High school degree, some college	49.0	48.3	51.0	48.0
College or more	2.7	29.2	.7	32.1
Emotional support from woman (index 1-3)	2.7	2.7	2.7	2.7
	(.34)	(.35)	(.33)	(.33)
Couple or household characteristics				
Partners' race-ethnicity differs	13.8	13.9	14.3	12.9
Duration of co-residence (years)	3.2	6.0	3.3	6.1
	(2.7)	(4.1)	(2.8)	(4.2)
Number of children <18	2.2	2.2	2.2	2.2
	(1.3)	(1.2)	(1.2)	(1.2)
Focal child in poor health	3.3	3.2	3.1	2.8
Have other child(ren) together	42.6	58.5	41.4	60.0
Household unearned income	\$1,904	\$545	\$1,799	\$464
	(3,258)	(1,833)	(3,242)	(1,721)
Months between surveys	21.4	21.0	20.8	20.4
	(3.3)	(3.4)	(3.2)	(3.1)

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**Table 2**  
**Odds Ratios from Logistic Regressions of Union Dissolution by 36-Months on Money Management System at 12 Months and Other Explanatory Variables, by Marital Status**

	Married (N = 1,052)	Cohabiting (N = 882)
Money management		
All money separate (All money together is omitted category)	2.62** (1.13)	1.17 (0.29)
Some money separate	1.57 (.58)	1.15 (0.25)
Woman's characteristics		
Age	.87*** (.04)	0.95* (0.03)
Non-Hispanic Black (non-Hispanic White is omitted category)	1.36 (.52)	1.46 (0.38)
Hispanic	.75 (.30)	0.63* (0.18)
Other	0.31 (.36)	1.24 (0.79)
Nativity non-U.S.	0.20*** (.12)	0.43** (0.16)
Religious attendance ( $\geq 1$ x per week)	0.85 (.27)	1.14 (0.29)
Child(ren) with a previous partner	.59 (.23)	1.04 (0.21)
Earned income (\$10,000 increments)	1.02 (.12)	0.93 (0.09)
High school degree or some college (Less than high school omitted)	1.20 (.45)	1.03 (0.20)
College degree or more	1.06 (.64)	1.04 (0.72)
Emotional support from man (index 1-3)	.40** (.15)	0.54** (0.13)
Partner insults, criticizes her often	3.62** (2.00)	.54 (.22)
Believes men can't be trusted	0.87 (0.42)	1.20 (.29)
Man's characteristics		
Age	1.06* (.03)	1.00 (0.02)
Child(ren) with a previous partner	1.21 (.44)	1.13 (0.22)
Earned income (\$10,000 increments)	.84** (.07)	1.00 (0.02)
High school degree or some college (Less than high school omitted)	1.52 (.54)	0.66** (0.13)

College degree or more	.55 (0.37)	1.47 (0.80)
Emotional support from woman (index 1-3)	.71 (.27)	1.18 (0.31)
Couple or household characteristics		
Woman and man of different race/ethnicity	2.32** (.82)	.98 (0.26)
Duration of co-residence (years)	1.02 (.05)	0.94 (0.04)
Joint child(ren) other than focal child	0.79 (.25)	1.12 (0.22)
Months between surveys	1.11** (.05)	1.10*** (0.03)
	Likelihood Ratio $\chi^2$ (23)= 114.45 p < 0.00	Likelihood Ratio $\chi^2$ (23)= 69.79 p < 0.00

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\*p < 0.10 \*\*p < 0.05 \*\*\*p < 0.01  
Number in parentheses is standard error.

**Table 3**  
**Coefficients from Pooled Fixed-Effects Regression of Woman's Hours Worked per Week**  
**on Money Management System and Other Explanatory Variables**

Independent variables (changes from 12 to 30 month surveys)	Married (N = 831)	Cohabiting (N = 446)
<b>Money management</b>		
All money separate (All money together omitted)	5.35** (2.12)	2.76 (2.19)
Some money separate	2.67* (1.50)	1.48 (1.93)
<b>Woman's characteristics</b>		
Age	.38 (0.33)	-.10 (.54)
Earned income (in \$10,000 increments)	1.40*** (.19)	5.90*** (.62)
Health fair/poor, or disabled	1.32 (1.73)	-1.93 (2.18)
<b>Man's characteristics</b>		
Age	0.06 (0.05)	-.00 (.09)
Earned income (in \$10,000 increments)	-0.06 (0.14)	.36 (.45)
<b>Couple or household characteristics</b>		
Number of children under 18	-2.10** (0.84)	.92 (1.06)
Unearned income (in \$10,000 increments)	-7.20*** (1.86)	-.51 (1.58)
Focal child's health fair/poor, or child disabled	7.99 (6.11)	-3.23 (5.77)
Constant	10.28 (9.67)	16.94 (13.27)

\*p < 0.10 \*\*p < 0.05 \*\*\*p < 0.01

Number in parentheses is standard error.

**Table 4**  
**Coefficients from Lagged-Dependent-Variable Tobit Regression of Woman's Hours Worked per Week at 30 Months on Money Management System at 12 and 30 months and Other Explanatory Variables for Couples Married or Cohabiting at 12 and 30 Months**

	Married <sup>a</sup> (N = 831)	Cohabiting <sup>b</sup> (N = 446)
<b>Money management</b>		
Together at 12 months, separate at 30 (Together at both times omitted)	6.50** (2.79)	2.80 (4.32)
Separate at both 12 and 30 months	5.53** (2.19)	5.85* (3.48)
Separate at 12 months, together at 30	-2.84 (3.38)	-5.86 (4.60)
<b>Woman's characteristics</b>		
Hours worked/week at 12 month survey	.72*** (.05)	.34*** (.08)
Age	.99 (1.52)	-.44 (2.12)
Age squared	-.01 (.02)	.01 (.04)
Non-Hispanic Black (non-Hispanic white omitted)	3.55 (2.21)	.44 (4.01)
Hispanic	-.34 (2.49)	-5.06 (4.01)
Other race-ethnicity	-3.78 (3.92)	1.55 (9.77)
Nativity non-U.S.	.02 (2.48)	-3.02 (4.54)
Birth or pregnancy since focal child	-5.04*** (1.76)	-6.56** (3.00)
High school degree/some college (less than high school omitted)	5.04* (2.59)	11.31*** (2.91)
College degree or more	8.01** (3.12)	15.65* (8.28)
Earned income at 12 months (in \$10k)	.95 (.67)	1.18 (1.56)
Health fair/poor or disabled	-4.19 (2.69)	-5.07 (4.01)
<b>Man's characteristics</b>		
Age	-1.00 (1.12)	.99 (1.75)
Age squared	.01 (.02)	-.02 (.03)
Earned income at 12 months (in \$10k)	-.47** (.19)	-.20 (.64)

Household characteristics		
Unearned income (in \$10,000 increments)	-3.36 (5.18)	-10.99** (4.80)
Focal child's health fair/poor or child disabled	2.92 (4.97)	2.45 (8.11)
Months between surveys	.46* (.26)	.32 (.46)
Constant	-9.67 (21.28)	-9.07 (31.73)
	Likelihood Ratio $\chi^2 = 381.4$ p < 0.00	Likelihood Ratio $\chi^2 = 116.5$ p < 0.00

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\*p < 0.10 \*\*p < 0.05 \*\*\*p < 0.01

<sup>a</sup>Tobit regression on married women's labor force participation includes 289 censored observations at 36-month work hours = 0 and 542 uncensored observations.

<sup>b</sup>Tobit regression on cohabiting women's labor force participation includes 167 censored observations at 36-month work hours = 0 and 279 uncensored observations

## Endnotes

1. Exceptions, most of them quite recent, include Treas 1993, Heimdal and Houseknecht 2003, Oropesa, Landale and Kenkre 2003, and Author 2006, which examine determinants of money management systems, and Oropesa and Landale 2005, which considers money management as a predictor of union stability among mainland Puerto Rican couples.
2. The term "income pooling" is understood differently in economics and sociology. In the former, it is understood in the sense used by Lundberg and Pollak (1996) above to mean that regardless of how money is managed, a couple behaves *as if* incomes were pooled by spending in the same way regardless of who initially brought the money into the household. Sociologists generally use the term to refer to combining money in a joint account or "common pot."
3. In results not shown, I tested alternative specifications of income, including the use of a measure of the proportion of income earned by the woman along with a measure of total household income. This alternative specification showed no substantive differences from the results reported here.

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