Family Financial Risk Taking When the Wife Earns More

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Abstract

This study investigates whether the relative bargaining power of spouses plays a role in explaining household financial risk taking. Traditional models assume that household decisions are made based on pooled resources and common preferences. In contrast, bargaining models hypothesize that household decisions depend on the relative bargaining power of spouses. According to bargaining models, if women are more risk averse, then households should exhibit less financial risk taking as the bargaining power of the wife increases. Results of an analysis of household financial risk taking in a sample of dual-earner, married households from the 2004 *Survey of Consumer Finances* are more consistent with

decision making based on pooled resources rather than on the relative bargaining power of spouses.

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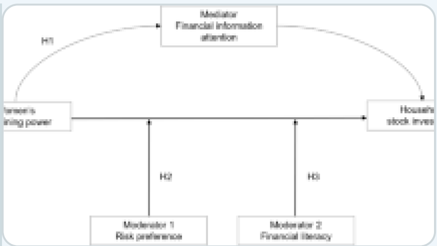

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Notes

1. We do not distinguish between the three categories of perceived risk taking because the highly subjective nature of the survey question makes this distinction problematic. For example, one respondent's perception of *above average risk* could be another respondent's perception of *average risk* or *substantially above average risk*. We believe there is a clearer distinction between any of the three risk-taking responses and the fourth response, *unwilling to take any financial risks*. We estimated the four models reported in Tables 3 and 4 separately for each of the three risk-taking responses. The results are consistent with those combining the three risk-taking responses together. These additional results are available on request from the authors.

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