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Family Financial Risk Taking When the Wife Earns More

| Original Paper | Published: 23 February 2008

| Volume 29, pages 289–306, (2008) [Cite this article](#)

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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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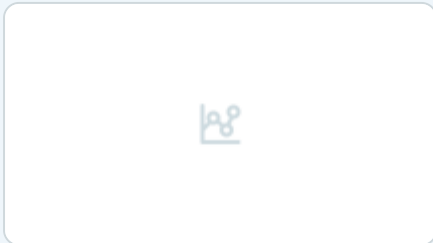
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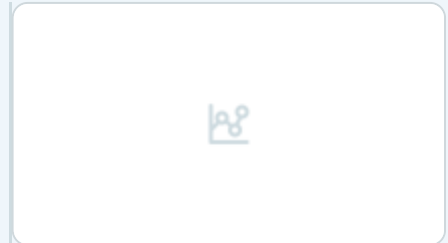
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Help us to understand your role in the financial activity of your household
In your household, how much responsibility do you have for these tasks?
• Check one per row only.

	None or almost none	Some	Shared equally with other household members	Most	All or almost all
Paying household bills (rent or mortgage, utilities, and phone, etc.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Using credit (borrowing for the household, groceries, household repairs, etc.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Identifying financial and savings and investment products to suit the household's preferences (from bank, insurance, etc.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Reading financial news and other household financial matters (bank, finance, and general media) or use online financial services, if any	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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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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Author information

Authors and Affiliations

**Department of Economics, Colorado State University, 1771 Campus
Delivery, Fort Collins, CO, 80523-1771, USA**

Nancy Ammon Jianakoplos & Alexandra Bernasek

Corresponding author

Correspondence to [Nancy Ammon Jianakoplos](#).

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Cite this article

Jianakoplos, N.A., Bernasek, A. Family Financial Risk Taking When the Wife Earns More. *J Fam Econ Iss* **29**, 289–306 (2008). <https://doi.org/10.1007/s10834-008-9102-2>

Published	Issue Date
23 February 2008	June 2008
DOI	
https://doi.org/10.1007/s10834-008-9102-2	

Keywords

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