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GENDER IDENTITY AND RELATIVE INCOME WITHIN HOUSEHOLDS

(Bertrand, Kamenica, & Pan, 2013)

Relative income within household here is defined as $\frac{Wife\ Earning}{Wife+Husband\ Earning}$ for a married couple. It is surprising that the distribution of this relative income in the U.S. exhibits a significant drop at 0.5, which means that there are significantly less couples with the wife earning more. Standard economic models for marriage market cannot explain this phenomenon, so the paper suggests that this is the effect of gender identity norm which makes women avoid having higher earning than men.

Developing on this idea, the paper then tries to quantify the impact of relative income on 6 social and economic outcomes, which include marriage rate, wife labor force participation, wife income gap, division of home production, marriage satisfaction and divorce rate. The study constructs several OLS models (simple cross sectional OLS, pooled OLS and linear probability model) with those outcomes as the dependent variable and a variable that indicates the probability or a dummy for wife earning more as the variable of interest. The data used come from various sources including Survey of Income and Program participation (SIPP), U.S. census bureau, American community survey (ACS), National Survey of Families and Income (NSFH), American Time Use Survey (ATUS), Current Population Survey (CPS) and The Panel Study of Income Dynamics (PSID). The results, in general, support the hypothesis that gender identity norm do influence the distribution of relative income within households. In addition, the study found significant adverse effects from wife having higher earning in all of the outcomes studied.

Since this paper rely mostly on cross sectional variation, its main concern is the endogeneity problem. The authors then try to alleviate the issue by using various technique such as Bartik-style IV, adding more control variables, and cross-checking the result with panel data (within-couple variation: linear probability model with couple fixed effect) in order to prove that the estimated coefficient for the variable of interest is robust across all specifications.

One major concern I have when reading this paper is how it calculate wife potential earning in section IV. To construct wife potential earning, the paper first calculates the earning distribution of all working women for each demographic groups, which includes race, age group, education level and state of residence. Then the authors use the mean for each of these distributions as the potential earning for all wife within the associated demographic group. In other words, the paper implicitly assumes that any woman within the same demographic group, working or not, have the same distribution of earning. This assumption is unlikely to be true. One potential unobserved factor that will cause the violation is personal ability. Giving race, age, education, and where a person lives, an individual with higher ability will likely generate more income. Thus, there will be an error within the independent variable, potential earning, which will cause coefficients in the model to be biased and inconsistent.