**Reading Note for Gender Identity and Relative Income within Households**

Yue Han

This article studied the reason why the distribution of relative income within households (defined as wife’s income divided by the total income of the household) was so heavily positively skewed i.e., there were much more family that husband’s income is higher than wife than wife’s income is higher than husband. The authors argued that gender identity (defined as a sense of belonging to a specific gender, and how people should behave as being that gender) played an important role in causing above phenomenon by conducting a series of empirical studies. Specifically, the authors examined the distribution of relative income within household, relationship between marriage rate and relative income, between female labor market and relative income, between marital stability and relative income, between home production and relative income.

Previous study shows that females’labor market participant rate and relative income had been increasing significantly in the past half century. However, the progress stopped in 1990 and there was still a big gap between female and male in the labor market. Based on the panel data from U.S. Census Bureau and American Community Survey (ACS), the discontinuity of female relative income distribution at 1/2 is significant through all period, no matter the couple have child or how long they have been married. The traditional marriage market model cannot explain this phenomenon. According to Akerlof and Kranton (2000, 2010), social identity has impact on economic outcomes, which may help to explain the discrepancy between the theoretical model and the practical observation.

To begin with, the authors studied the distribution of female relative income within household. They collected data from U.S. Census Bureau and American Community Survey (ACS) and defined female relative income as wife’s income divided by wife’s income plus husband’s income. Then they conduct McCrary test for the discontinuity of distribution function. For the data from American Community Survey (ACS), they clean the data by dropping, modifying and de-rounding some specific income data to avoid to many equal income families. The results show that there is an obvious drop in the distribution when wife’s income is about to exceed husband’s income. Even though the gap was shrinking over the year, it has always been significant. For those family without child or were just married, the gap is smaller, but still significant.

After studied the distribution, the author tries to explain the gap in female relative income distribution by gender identity. They studied from three aspects: marriage rate, female labor market, marital stability and home procedure.

To establish the model for relationship between marriage rate and female relative income, they divided people into different “marriage market”based on homophily and designed a variable called probability that a woman earned more than man as the main dependent variable. To calculate this variable, they used both realized income and predicted income. They regress marriage rate in each marriage market on probability that a woman earned more than man and control variables. To avoid endogeneity, they use instrumental variable. The results show that realized income did not have significant impact on marriage rate, while predicted income did. When there is more likely that female’s predicted income is higher than male’s, people will be less likely to get married.

To establish the model for relationship between female labor market and female relative income, they designed a variable called probability of wife earn more than husband and regress whether a woman in a household participate in labor market on that variable and log of husband’s income with some control variables. In addition, they test whether wife tried to reduce her income if she earns more than her husband by regressing income gap, calculating by wife’s realized income minus wife’s mean potential income divided by wife’s mean potential income, on the same dependent variables. The results shows that the more likely wife earn more than husband, the less likely wife participate in labor market, and women tend to reduce their income if they are more likely earn more than their husband.

To establish the model for relationship between marital stability and female relative income, they first defined three independent variables which measure the satisfaction of marriage within household using data from National Survey of Families and Households (NSFH), then regress these variables on whether wife earn more than husband, wife, husband and total log income and some control variables. Besides, the authors build a model to test impact of relative income on the stability of marriage by regressing whether the couple divorced when they been re-interviewed on the same variables. The results show that if wife earn more than husband, their marriage is less likely satisfying and the couple is more likely to divorce when they been re-interviewed.

To establish the model for relationship between home production and female relative income, the author regress total non-market working hours (including chores work and childcaring) on the same variables as in above section. The results shows that if women is more successful in career than her husband, she will contribute more in housework, probably to “compensate”their husband for they being“too successful”.

To summarize, this article shows that in U.S, there was a significant drop in the distribution of female relative income. The regression analysis showed that this phenomenon may be caused by the gender identity: “a man should earn more than his wife”. Empirical evidence shows that when female’s relative income is higher, people will less likely get married; for married family, wife will try to quit work or earn less, and try to do more housework, but the marriage will still less stable.

One limitation I came up with is that the empirical evidence indeed can explain that there are more family that husband earns more than wife, but cannot explain the sharp turning point in the female relative distribution at 1/2 i.e., when wife and husband earn equally. Does it matter so much if the wife just earns slightly more than her husband? To answer this question, I think it may be better to focus on the data that female relative income is close to 1/2.