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6 Financial decisions in the household

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6.1 Introduction

Why should we be interested in studying intra-household economic behaviour? There are many reasons. First, the household is a prime site for cooperation, negotiation of conflicts of interest and settlement of disagreements. Many issues will concern money and other resources. Whilst serious conflicts are relatively rare in enduring relationships (McGonagle, Kessler and Schilling, 1992; Straus and Sweet, 1992), partners may disagree about a whole host of issues almost daily (Gottman, 1994; Holmes, 1989; Surra and Longstreth, 1990). This makes the household a natural target for researchers in economic psychology. Secondly, those with statutory duties concerning families need accurate information on which to base the development of policies. It goes without saying that government policy can impact upon individuals within households (through changes, for example, in the tax and benefit laws). However, the decisions taken by individuals within households can also have significant effects upon the economy, given that private households dispose of a major part of a nation's financial resources. Another example of this is the dramatic increase in the number of lone parent families following the liberalization of divorce laws in most European countries in the 1970s and 1980s and the consequent rise in welfare expenditure. Thirdly, the convenient assumption, by both researchers and policy makers in the past, that a household is essentially an income-pooling entity with a common standard of living, has been shown to be misguided. It is now well documented that inequalities in the wider economy can be reflected in differential access to household money and other resources. Given the obvious links between money and power (see Pahl, 1995), this clearly has ramifications for the physical and psychological welfare of economically weaker household members (see Webley, Burgoyne, Lea and Young, 2001, pp. 82–3). For example, measures of welfare based on an assumption of income sharing in the household will seriously underestimate individual poverty. Finally, economic models that fail to take account of systematic variations in household financial practices will inevitably be less accurate in predicting the impact of policies aimed (for example) at enhancing the well-being of children, encouraging debt avoidance, or saving for a pension.

However, getting a clear picture of economic behaviour within the household is far from easy. From the outset, we are dealing with an entity that is relatively private and difficult to define, with fuzzy boundaries which may change over time (Kirchler, Rodler, Hoelzl and Meier, 2001; Wilkes, 1995). It is subject to many different influences at both micro- and macro-economic levels, and there is a great deal of variability both within and between households. The composition and activities of a household may change quite abruptly with the arrival and departure of children or with movements in and out of the labour market. Not all households are composed of couples or 'traditional' families, and families as well as couples may extend across a number of different households (Gershuny, 2000). A further complication is that within the family, financial practices can be constructed in two opposing discourses – those of economic versus social exchange. Many household activities (such as cooking meals for the family or carrying out household repairs) contain elements of both, that is, they are clearly economic activities but can also be seen as expressions of care-giving or love (see Webley *et al*., 2001), and accounts will differ depending on how one approaches the question. The 'rules' governing economic exchange tend to be at odds with those of social exchange, especially within intimate family relationships (Curtis, 1986). For example, it is generally accepted that one has the right to own and control one's earnings; at the same time, the belief that marriage should be a partnership with shared resources is widely endorsed. Couples may attempt to resolve this contradiction in many different ways. When it comes to the allocation of benefits and burdens, people may draw upon different rules of distributive justice, such as equity, equality and need (Deutsch, 1975). If money is allocated on the basis of equity, then the biggest contributor is entitled to a greater share of the 'cake'. In contrast, an equality rule would dictate that everyone has an equal share, regardless of contribution. Even if need is taken as a criterion, this still leaves unresolved who will determine when, and to what extent, a need exists. When we add to this powerful mix the notion that love and money are in many respects incommensurable (Foa, 1971), then it is not difficult to see why economic issues in this context may give rise to feelings of ambivalence and ambiguity. Conflicts of interest, inequalities and power struggles, both overt and covert, all contrive to make household economic behaviour a somewhat thorny topic of investigation (Webley *et al*., 2001).

6.2 Heterogeneity of households and families

Current researchers have largely discarded the earlier practice of relying upon the reports of one partner, though much of the previous research has focused upon relatively traditional family households comprising a married couple and their dependent children (Burgoyne, 2004; Kirchler *et al*., 2001). However,

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the stereotypical image of a family as comprising one man and one woman plus (2.4) children accounted for only 42 per cent of households in Europe in 1998 (Antonides and van Raaij, 1998) and traditional marriage throughout the Western world is declining rapidly as alternative family forms become more widespread (Seltzer, 2004; Cherlin, 2004; Kiernan, 2004). Marriage is now just one option: it has almost become a lifestyle choice, and its nature, meaning and practice are shifting in parallel with other social changes. For example: many women now spend time developing a career before considering marriage and childbirth (Ermisch and Francesconi, 2000; Social Trends, 2004; Wunderink, 1995), and a substantial number continue in paid employment thereafter. Remarriage has become more common following the liberalization of the divorce laws, and alternatives to marriage are now more acceptable than was the case for previous generations. One of the most notable changes in the last quarter of the twentieth century was the huge increase in the number of couples living together without marrying, many also having children outside wedlock. The increasing acceptability of same-sex unions has led to new legislation in some countries that can offer marriage or marriage-like rights and responsibilities to same-sex couples: at the time of writing, same-sex marriage is permitted in Belgium, the Netherlands, Spain, Canada, and the US state of Massachusetts. The UK enacted a form of Civil Partnerships legislation in December 2004 and the UK Law Commission is actively considering an extension of such legislation to include cohabiting couples. However (as we see later), policy based on the presumed marital model of financial interdependence may be out of step with what couples are actually doing.

In sum, more than at any other time in the last hundred years, couples in Western societies seem to have more freedom to determine the type of intimate relationship they have, and their respective roles within it. Barlow, Duncan, James and Park (2005, p. 92) put it succinctly: ‘The social structures that gave marriage its power to attract people into, and hold them in, partnerships for life have been greatly weakened. Externally imposed religious and moral codes are a declining force, women’s financial and emotional independence has increased, people see partnership more as a part of personal fulfilment than a social duty, sex and childbearing are now separated from marriage, and both divorce and cohabitation are accepted and pervasive.’

This is clearly a topic that could take us far beyond the scope of this chapter. Therefore we have confined our discussion to those areas most studied: money management and decision making in family households. For the purposes of this chapter we shall use the terms ‘household’ and ‘family’ fairly loosely to refer to households involving intimate relationships between two adults, who may or may not have resident children, and lone parent households with one or more dependent children. We begin by examining money management, persuasion and negotiation in traditional heterosexual couples.

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6.3 'Traditional' households

6.3.1 Money management in heterosexual marriage

The stereotypical roles of male breadwinner and female carer have been described by Becker (1973) as a rational use of human capital for individual utility-maximizers, and it is the model that many heterosexual couples currently follow (see also Grossbard-Schechtman, 1993). They do so not just for the sake of tradition (though that is certainly a factor) but because it makes sense for each individual couple to adhere to this pattern when male earnings are (typically) higher than women's and the latter bear the children. Becker's (1973) thesis is that marriage offers gains in trade by means of specialized human capital, the sharing of public goods (e.g., the family home) and economies of scale. This model also assumes that women will invest primarily in domestic capital since women have a 'comparative advantage' in bearing and caring for children.

However, Becker has been criticized for ignoring a great many factors that constrain the choices of real couples, such as the typically lower wage rates for women, and normative expectations about who will provide childcare (Bergmann, 1986; 1995; see also Webley *et al.*, 2001, pp. 79–82). In addition, the traditional division of labour in heterosexual marriage exposes women to economic risk. This is a recurrent finding from a variety of research approaches (e.g., Pahl, 1989; 1995). Despite a public rhetoric depicting (Western) marriage as a partnership of equals (Reibstein and Richards, 1993), few seem to achieve this ideal in practice. Men are more likely to start off with greater earnings than their wives and are more likely to become the principal breadwinners when a couple has children. The resulting disparity between male and female incomes can result in a lower standard of living for wives than husbands within the same household, and less say in decision making. It can also make women financially vulnerable in societies with a high divorce rate.

This vulnerability may be offset or enhanced to the extent that 'market forces' are allowed to enter the household. One important factor here is the way that a couple chooses to treat income and other financial assets. Pahl (1989) identified a number of systems of money management and her typology has been widely used. It includes:

> *The Female Whole Wage system*: where the wife manages all household money apart from the husband's personal spending money;
>
> *The Male Whole Wage system*: in which the husband manages all finances; this can leave the wife with no access to any money;
>
> *The Housekeeping Allowance system*: where the main earner – typically a male breadwinner – gives their partner a sum to cover household expenses and retains control of the rest;

The Pooling system: where most or all of household income is combined – often in a joint account; and

The Independent Management system: where each partner keeps their income in a separate account – more typical for dual-earner couples.

Surveys in the UK during the 1990s (e.g., Laurie and Rose 1994) showed that around half of all couples were using a pooling system, about 36% used a whole wage system, 11% used a housekeeping allowance and around 2% had independent management. More recent studies have observed an increasing use of a hybrid system labelled Partial Pooling (Burgoyne, Clarke, Reibstein and Edmunds, 2006; Pahl, 2005) and we shall examine this system later on. Pahl (2005) also reports increasing individualization in finances in countries as diverse as Spain and Sweden.

An important distinction has been made by Pahl (1989) and others between overall control of money (or strategic power) and management (or executive power). These have different implications for access to personal spending money and the right to allocate money for different purposes. Thus, the female whole wage system may leave overall control in the hands of a male breadwinner who can set priorities for the use of the money that his wife manages on a day-to-day basis. It is also important to realize that pooling may be more apparent than real, with the potential for one partner to have more say on how the money is to be used (Vogler and Pahl, 1994). Male-dominated systems (such as the housekeeping allowance system and male-controlled pooling) are more likely to occur at higher income levels. Women typically have the more onerous task of making ends meet at lower income levels.

There are a number of possible explanations for the financial inequalities that seem to creep into many marriages. First, making a significant financial contribution, especially as the main breadwinner, is both more visible and accorded more privilege (such as greater access to money for personal use, more 'say' in decision making, etc.) than other types of input such as housework or childcare. The situation for mothers who reduce their earning power tends to deteriorate over time as their labour market human capital diminishes (James, 1996; Webley *et al*., 2001). Secondly, even when partners have a joint account and try to treat money as a collective resource, the source of that income – i.e., who has earned or contributed it – is difficult to ignore (Burgoyne, 1990; Burgoyne and Lewis, 1994; Burgoyne, Clarke, Reibstein and Edmunds, 2006). Another factor is marital ideology, such as a traditional or 'modern' view of marriage and of marital roles (see Reibstein and Richards, 1993). Traditionally the man has the final say, or sets the financial agenda (Pahl, 1989). The degree of commitment is also important, with couples less likely to see money as collectively owned (whatever system they use) when there are doubts about the stability of the relationship (see Burgoyne and Morison's 1997 study of second marriages; Vogler, 2006).

Gender also sets the parameters for other types of behaviour in heterosexual couples. Men are more likely to allocate benefits on the basis of equity whereas

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women are more likely to opt for equality (Burgoyne and Lewis, 1994). Even in a country like Sweden which is renowned for its attention to equality, Nyman (1999) argues that 'real' equality will remain just an ideal when men are still able to set the overall agenda for money management and women are expected to put the interests of the family before their own. In Nyman's study, the couples had arranged to cover all household expenses jointly, leaving each partner with an equal amount of money for personal use. However, as the wives had day-to-day practical responsibility for meals and childcare, they tended to use their own personal spending money as a buffer to even out household expenses and this was not accounted for. The men seemed able to ignore their wives' pleas to change the way that these expenses were managed, and the women seemed reluctant to press the issue in case it led to conflict. Thus, systems of management that should have left these dual-income partners with equal access to personal spending money paradoxically led to the familiar inequalities associated with gender (see Elizabeth, 2001).

6.3.1.1 Beliefs about financial practices in 'traditional' marriage

We have discussed a number of possible explanations for inequalities in marriage. But do people really think that household money should be shared equally, even when partners are contributing different amounts? This issue was investigated in two studies by Burgoyne and Routh (2001) and Sonnenberg, Burgoyne and Routh (2005). The latter used a series of vignettes describing (a) a couple who were getting married, and (b) a couple about to have their first baby. In both types of vignette, the relative incomes of the partners were varied so that sometimes they earned equally and sometimes one partner was the breadwinner, or earned much more than their partner. Participants in Burgoyne and Routh's (2001) study were asked to choose the 'best' and 'fairest' of a list of possible systems of money management (based upon Pahl's typology), and to say whether or not one partner should have more personal spending money. Overall, regardless of relative income, the most frequently chosen 'best' option was pooling all money and making joint decisions about it. Respondents also tended to identify their choice as the 'fairest'. However, for a significant minority, the partner earning relatively more money was deemed to be entitled to more personal spending money. A similar pattern of results was obtained by Sonnenberg *et al*. (2005). However, one noteworthy new finding was that when the woman was depicted in the role of mother, her income was seen as being by default for the family, with less individual freedom to own and control it. In contrast, the man in the role of father seemed to be accorded a higher degree of financial autonomy. This echoes Nyman's (1999) findings, and those of Pahl (1995), who noted that women tend to be more 'family-focused' than men, typically contributing a larger proportion of their income to the family. Some recent work on bargaining experiments also supports gender differences: both sexes expect women to be more generous in their allocations and to be content with receiving less (Solnick, 2001).

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6.3.1.2 Persuasion and negotiation

The freedom to determine the nature of one's relationship, one's role, as well as individual interests and joint goals, requires a complex process of negotiation and decision making. This process has to take account of both individual-level concerns (such as expectations about the relationship: its permanence, stability and individual commitment) and wider economic factors. Such concerns will influence the way that couples try to pursue their own and mutual goals, how they deal with money, and how they make decisions about saving and spending.

Investigations into traditional household spending decisions have identified a number of common patterns. Depending on the type of good, one member of the household may instigate a decision to buy and simply go ahead with the purchase. However, if the decision involves an expensive and infrequent purchase that is socially visible and used by both spouses or all family members (such as an apartment or a car), then there is likely to be a more extensive decision process, which could involve all members of the household (Kirchler,1989; Kirchler *et al*., 2001).

Joint decision processes are also more likely to occur in the absence of an impulsive or habitual decision. One or both partners may gather information about possible alternatives, evaluate them against needs, and then make a choice. Partners may differ in their interests and the type of information they consider relevant, and so may disagree on which alternative is best. The partners may find their preferred option overruled and may have to change their mind or reach a compromise (Bohlmann and Qualls, 2001). They may also have to make a trade-off between satisfying their individual wants and needs, and maintaining a harmonious relationship.

If partners have divergent views and wish to avoid a heated conflict whilst achieving their individual goals, the decision may pass through a number of stages. They may move to and fro between the stage of wanting the good and gathering relevant information; they may try, by factual argument, manipulation, flattery or threats, to persuade the other to yield, or they may offer an exchange deal, such as performing a household service or offering another favour in return.

Kirchler *et al*. (2001) identified eighteen different tactics that spouses might use to persuade their partners (see table 6.1). Some of these tactics are designed to avoid conflicts (tactics 13, 14 and 15 in table 6.1): these usually derive from role segregation or social norms which assign roles and influence either to the woman or to the man, a process known as *role competence*. This allows one partner to take on particular tasks by default, including responsibility and control over that sphere of decision making. Once task areas have been assigned or assumed in this way, partners generally accept that one will act autonomously, but with the other's wishes in mind.

A second category of tactics is concerned with 'problem solving' (e.g., tactic 18 in table 6.1). These tactics include reasoned arguments and factual information which serve to clarify the situation, typically used when partners

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Table 6.1 *Classification of tactics. From Krichler, E. et al. 2001.* Conflict and decision making in close relationships. *Reprinted with permission from The Psychology Press, a member of the Taylor & Francis Group*

Tactic content	Tactic label	Examples
Emotion	1. Positive emotions	Manipulation, flattery, smiling, humour, seductive behaviour.
	2. Negative emotions	Threats, cynicism, ridicule, shouting.
Physical force	3. Helplessness	Crying, showing weaknesses, acting ill.
	4. Physical force	Forcing, injuring, violence, aggression.
Resources	5. Offering resources	Performing services, being attentive.
	6. Withdrawing resources	Withdrawing financial contributions, punishing.
Presence	7. Insisting	Nagging, constantly returning to the subject, conversations designed to wear down opposition.
	8. Withdrawal	Refusing to share responsibility, changing the subject, going away, leaving the scene.
Information	9. Open presentation of facts	Asking for cooperation, presenting one's own needs, talking openly about importance/interest to self.
	10. Presenting false facts	Suppressing relevant information, distorting information.
Persons	11. Indirect coalition	Referring to other people, emphasizing utility of purchase to children.
	12. Direct coalition	Discussing in the presence of others.
Fact	13. Fait accompli	Buying autonomously, deciding without consulting partner.
Role segmentation	14. Deciding according to roles	Deciding autonomously according to established role segmentation.
	15. Yielding according to roles	Autonomous decision by partner according to role.
Bargaining	16. Trade-offs	Offers of trade-offs, bookkeeping, reminders of past favours.
	17. Integrative bargaining	Search for the best solution to satisfy all concerned.
Reasoned argument	18. Reasoned argument	Presenting factual arguments; logical argument.

Note: Some studies of tactics take account of all eighteen tactics. Occasionally fifteen tactics are discussed. In these cases, tactics 13, 14 and 15 are omitted. A few other studies examine seventeen tactics. There, tactic 15 is omitted.

are in general agreement about their basic aims and are trying to realize them jointly. For example, if they agree that they need a new car, and they also agree on the essential characteristics (e.g., inexpensive, comfortable, safe), their task is relatively straightforward. They simply have to collect information, clarify areas of doubt, evaluate the various alternatives and select the car most likely to fulfil their requirements.

The 'persuasion' tactics (1 to 12 in table 6.1) are likely to be used if partners have conflicting values. Since neither is likely to be convinced by reasoned argument, such tactics may include the use of positive or negative emotions, (e.g., seductive behaviour, threats, cynicism), acting in a helpless way, coercion, etc. In probability and value conflicts, bargaining tactics may also come into play (e.g., tactics 16 and 17 in table 6.1). These may involve 'tit-for-tat' with (for example) offers of trade-offs, 'bookkeeping' and reminders of past favours. Alternatively, 'integrative bargaining' may lead to a search for additional alternatives and options in order to find a solution that satisfies everyone without the need for trade-off or compromise.

However, reaching an agreement does not necessarily signal the end of the decision process. The partner who has dominated the decision may incur an influence 'debt' which could mean having to yield more readily in the next decision. Similarly there may be benefit or 'utility' debts. In his model of purchasing decisions, Pollay (1968) assumes that the utility or benefit of a good is a function of the strength of a partner's need for that good, the frequency of use, and the anticipated degree of satisfaction. For example, if one partner wants to buy an expensive item of clothing and seeks the other's consent, the purchase may go ahead if it coincides with the other's taste and the latter agrees to the purchase. Even when there is no disagreement, the partner who will actually wear the item has incurred 'benefit debts'. Depending on the way that the couple usually deals with the regulation of disparities in benefits, the other partner may expect more acquiescence next time they want to buy something. Thus, a decision is not complete until the partners have agreed explicitly or implicitly on whether there has been an asymmetrical distribution of benefits, and how this should be dealt with.

6.3.1.3 Gender differences in spending decisions

Consumer research interest in 'traditional' family decision making has typically centred on spending decisions and the relative influence of husband and wife. Does the male or female partner have the final say, or do they decide jointly? Are children given a voice in the decision, and if so, on what goods? However, research shows that simply asking people about the outcomes of decisions is unlikely to tell us much about the underlying processes, and may give us a misleading picture of relative influence for different types of decisions.

The Vienna Diary Study (Kirchler *et al*., 2001) provided a unique opportunity to explore in depth the underlying processes and outcomes of decision making over the period of a year. Participants included forty married and cohabiting couples who had at least one child of school age. The individual partners kept a daily diary of their discussion and decision making. Kirchler *et al*. found that everyday life typically left partners little time for shared activities, not even disagreements. Couples spent only about three to four hours a day in each other's company, including time spent on chores. On average (including weekends and holidays) they managed to talk for only about an hour a day. The most frequent topic of conversation was the children (discussed on 80% of days); leisure and friends came next, followed by work (especially paid employment) and spending.

Of course this was a special sample of individuals, since they had to keep a detailed diary of their topics of discussion and disagreement for a year. Nonetheless, conversations involving disagreement were recorded in only 2.5% of the cases. Although economic discussions took place less often than those relating to the children, friends and leisure, and work, they were more likely to involve conflict (3.6% of conversations, compared to 2.3% about work, 1.9% about children, 3.1% about the relationship, and 2% about leisure). Focusing just on the total number of conflicts reported, about 23% concerned economic matters, 21% were about work, 20% about leisure, 20% about children and 16% about the relationship. Thus, the most likely cause of conflict is disagreement over spending or some other economic issue. Overall, women reported having about 49% of the influence and men 51%. In around 55% of decisions involving conflict one or other partner had more influence. However, situations where one partner had *total* say were rare, reported in only 1% to 2% of cases. Women said they had no influence in 1.5% of the decisions reported, but decided autonomously in another 2.3%. The respective proportions for men were 1.5% and 1.2%. Where discussions were about economic matters, men tended to have more influence (54%) than the women (46% on average).

The results of a series of studies undertaken between 1956 and 1988 on the relative influence of men and women in economic decision making also suggest (at first glance) that both partners have roughly equal say (Kirchler, 1989). In the classical questionnaire studies of Davis and Rigaux (1974), participants were asked who made particular decisions. Davis and Rigaux distinguished four categories of control: decisions controlled by (a) the man; (b) the woman; (c) jointly; and (d) sometimes the man, sometimes the woman. They found typical role specialization, with the husband being responsible for insurance and car expenditures, the wife for kitchen and cooking items, and both partners for holiday decisions. Also, the proportion of joint decisions seemed to decline between the initiation and information-seeking stages, rising again around the point of purchase.

In a review of the literature, Kirchler (1989) showed that, on average just over half (53%) of decisions were reached jointly, with the remainder taken slightly more often by men alone (52%) than by women (48%). However, relative influence was found to vary with the topic at stake and, in purchase decisions, with the good under discussion, typically along traditional (stereotypical) gender lines: technical items were the man's responsibility, kitchen items the wife's. Purchases of cars, cameras, TV or stereo were dominated by the husband. Wives decided on household furnishings, the kitchen, providing and preparing meals, care of the home and items connected with health and body-care. Kirchler *et al*. (2001) also confirmed Davis and Rigaux's (1974) findings of a stereotypical gender role specialization in purchase decisions.

Thus despite an apparent overall balance in the distribution of influence, men and women dominated decisions in different areas, at least in these earlier studies: men being responsible for expensive, technical matters, women for aesthetic ones and for more everyday, mundane items (Kirchler, 1989). Even when it was the characteristics of the product that were under consideration (not just the type of product) the picture still reflected traditional expectations: it was more often the man who decided what price was acceptable and what method of payment to use, while the woman decided on the design.

However, Cunningham and Green (1974) detected a shift in partners' influence patterns between the 1950s and 1970s. In view of the social changes alluded to earlier and the way that societal representations of female and male roles have also changed since the 1970s (Diekman and Eagly, 2000; Eagly, 2001), one might expect much less sex-role segregation in decision making today. Indeed, Meier, Kirchler and Hubert (1999) report that female partners currently have more influence in financial investment decisions than in the past. However, the extent to which there has been an overall change in decision making is unclear. For example, Muehlbacher, Hofmann, Kirchler and Roland-Lévy (2007) found that sex-role specialization was only slightly less pronounced in their younger respondents than in the older ones. Thus, as we observed with money management, it appears that some aspects of male–female dominance within the household are especially resilient to change.

6.3.2 Money in second marriages

Given the high rate of remarriage, research on economic behaviour in such couples is somewhat scanty. One in four of all marriages in the US in 1989 (Coleman and Ganong, 1989) and one in three of all weddings in 1993 in the UK (Office of Population Censuses and Surveys, 1993) involved a remarriage for one or both partners. These couples may have dependent children from one or more previous unions, as well as children of the remarriage. With a range of potential step-relationships (siblings, grandparents, etc.) the tensions that can arise over money and other issues can be enormous. These 'reconstituted' families also tend to be poorer than first families (Cockett and Tripp, 1996). This can add to the stresses and potential conflicts associated with trying to reconcile different financial habits (Coleman and Ganong, 1989). Couples may have to deal with maintenance payments or debts and this may entail continuing (sometimes acrimonious) relationships with former partners.

Studies in the US suggest that money is treated in much the same way as in a first marriage (Coleman and Ganong, 1989; Lown and Dolan, 1994). However, couples were asked only general questions such as whether they had a 'one-pot' or 'two-pot' system. Given the normative pressures to present one's marriage in a positive light, such an approach is likely to overstate the extent to which money is pooled. To counter this, Burgoyne and Morison (1997) asked detailed questions about the handling of money on a day-to-day basis. They found a greater degree of separation in control and ownership of money and other assets than is typically the case for married couples in general. About half of their couples were using a form of independent management. In some cases, this separation was quite deliberate; those with children from previous relationships felt that they were holding resources 'in trust' for their own children and wanted to ensure that the latter would inherit what they saw as rightfully theirs. Some couples had avoided merging money because the potential threat of divorce or separation was now more salient, whilst others wanted to keep their current partner out of assessments for maintenance payments to former spouses. Some of the men felt that they had been 'ripped off' in divorce settlements with former wives and wanted to keep control of any assets they brought into the second marriage. For the women's part, although generally less wealthy than their new partners, many felt they had more independent access to resources than in their first marriages and were reluctant to give this up. Similar findings have been observed in New Zealand by Fleming and Atkinson (1999) and in the Netherlands by Buunk and Mutsaers (1999).

Thus far we have seen that equality in marriage is rarely achieved, though people generally endorse it and – in principle – would opt for a system of money management that gives both partners a relatively equal say in how the household income is used. As mentioned earlier, recent and proposed changes in UK partnership legislation are based on just such a presumption of sharing and mutual financial responsibility in marriage. However, it is unclear whether this 'marriage' model would be relevant for the various marital alternatives. Indeed, as we see below, such assumptions may be unwarranted even for couples who are currently choosing to marry.

6.3.3 Today's newly-weds

In view of the rapid social changes outlined earlier, today's young brides are likely to be older and more financially independent than their mothers and grandmothers. They may also expect to retain a greater degree of financial autonomy. Will the current cohort of newly-weds be more successful in achieving the egalitarian ideal? Burgoyne and colleagues were able to address these and related questions in a longitudinal qualitative study funded by the Lord Chancellor's Department (a former UK Government Department). The detailed findings have been reported in Burgoyne, Clarke, Reibstein and Edmunds (2006) and Burgoyne, Reibstein, Edmunds and Dolman (2007). Separate interviews were carried out with each partner in sixty-two couples just before their wedding and again with forty-two of the couples a year later. Although none had been married before and the majority had already been cohabiting at the time of the initial interviews, few were using joint pooling systems before the wedding (see table 6.2). A year later, there had been some merging of

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Table 6.2 *Money management at the time of the wedding and about one year later. Reprinted from* Journal of Economic Psychology*, 28(2), Burgoyne, C.* et al.*, 'Money management systems in early marriage: factors influencing change and stability', pp. 214–28, Copyright 2007, with permission from Elsevier.*

System of management	*N* at T1	*N* at T2	Comments
Independent Management (IM)	17	IM: 6 PP: 7 P: 4	Those still using IM becoming more flexible, merging; others have started treating money in a more collective way, some now having mortgages and/or expecting their first child
Partial Pooling (PP)	17	PP: 12 P: 5	Further merging of finances, especially those who have started a family
Pooling (P)	5	P: 5	Unchanged
Whole Wage (WW)	3	WW: 1 IM: 1 P: 1	Some have moved towards a slightly more collective view of money

N = 42 couples

finances: the numbers using total pooling had tripled, and partial pooling had also increased, largely due to movement out of independent management. None of the couples at either time were using a housekeeping allowance system.

There were important differences between pooling and partial pooling. The couples using the latter system had their earnings paid direct into their individual accounts, and they transferred an agreed sum (or proportion) into a joint account for shared expenses. Many kept considerable sums of money and other assets separately. Partial pooling was motivated mainly by a desire to achieve independence, autonomy and some financial privacy as well as a sense of financial 'identity'. In contrast, those who used a total pooling system paid both incomes initially into a joint account, with some transferring small amounts purely for personal spending money into separate personal accounts.

Merging finances was often prompted by economic factors, such as taking on a mortgage or starting a family. However, couples were likely to go only as far as partial pooling unless there was also a commitment to shared ownership of household resources. The latter seemed to be the main determinant of starting with a joint account or moving towards pooling over time. A year after the wedding, couples with a more collective sense of ownership were significantly more likely to be pooling (more of) their incomes, and there was a significant change in this trend between the first and second interviews. (See tables 6.3a and 6.3b.)

Couples with pooling systems were more likely to be explicit about treating all resources collectively, and to say that all of the money was 'ours', than those using either independent management or partial pooling, more of whom saw a substantial proportion of the money as individually owned.

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Table 6.3a *Ownership and financial systems at time 1*

System Ownership	Pooling	Part-Pooling	Independent Management	Whole Wage	Totals
Shared	4	3	2	1	10
Distinct	0	13	9	1	23
Transitional	1	1	6	1	9
Totals	5	17	17	3	42

Table 6.3b *Ownership and financial systems time 2*

System Ownership	Pooling	Part-Pooling	Independent Management	Whole Wage	Totals
Shared	14	3	1	0	18
Distinct	0	14	3	1	18
Transitional	1	2	3	0	6
Totals	15	19	7	1	42

This section has examined economic behaviour in married couples and how this may be changing in parallel with other social changes. Next, we consider some of the newer alternative forms of partnership.

6.4 Alternatives to marriage

6.4.1 Heterosexual cohabiting couples

It is only relatively recently that investigators have started treating this fast-growing population as worthy of separate investigation. Across the fifteen member states of the European Community in 1996, 11% of men and women aged 20–24 were cohabiting, 13% of those aged 25–29, and 10% of those aged 30–34 (Kiernan, 1999). In 2002, 25% of all unmarried adults in the UK aged between 16 and 59 years were cohabiting, and this seems set to increase further (National Statistics, 2004). A quarter of all births in the UK are now to cohabiting couples (Social Trends, 2004). The figure in the USA is even higher: one in three births takes place outside marriage and there is a similar ratio in Canada (Cherlin, 2004). Another form of partnership that is becoming more common is 'living apart together'; a recent study indicated that three in ten men and women aged 16 to 59 in the UK who are not currently married or cohabiting say they have a regular partner (Population Trends, 2005).

One key finding in the UK is that 56% of the general population and 59% of cohabitants believe (falsely) that there is still a legal entity called 'common-law marriage' and that couples who have cohabited for some specified period acquire the same rights as legally married couples (Barlow *et al*., 2001; 2005).

This confusion may partly be due to the state of the current law in the UK which is somewhat confused and contradictory. Cohabiting couples are treated as if married for the purposes of tax and benefit law, but in other respects (e.g., wills and property rights) the law treats them as unrelated individuals. Perhaps more surprising is the finding that even when couples are aware that the law does not offer them the same protection as if they were married, very few take any legal steps such as making wills or formal agreements about housing (Barlow *et al*., 2005). There are interesting research questions here for economic psychologists: is it due to over-optimism about the durability of the relationship, a refusal by one partner to cooperate, or a reluctance to allow 'cold' issues of cash, death, etc., into the relationship? Whatever the reason, extending the legal rights and benefits of marriage to these couples is somewhat complex since some are actively seeking to avoid marriage-like obligations whereas others would embrace them.

A study by Ashby and Burgoyne (2005) found both a prevalence of independent management and an emphasis on achieving a balanced and fair money management system. However, there was a surprising degree of complexity underlying the use of independent management, which suggests the need for further development of Pahl's (1995) typology. Each couple seemed to apply this system in an idiosyncratic way and with different underlying meanings for individual partners. Some findings were similar to those of Burgoyne *et al*.'s (2006) study with newly-weds. For example, keeping money separately did not necessarily mean that cohabiting partners were not prepared to support each other financially, and some did in fact support each other in much the same way as those who were pooling their money. Also, as Elizabeth (2001) has observed, partners only felt free to spend their money as they wished after joint expenses had been paid, so there were limitations placed upon their independence. Couples had to negotiate how much money each partner would contribute (and from which account), what was defined as a joint expense, and who would ensure that bills were paid. This was even more tricky when there was a large disparity in earnings. It was notable, however, that independent management did not provide much protection to the economically weaker partner – in some cases quite the reverse (see Elizabeth, 2001). Overall, Ashby and Burgoyne's findings showed that the reasoning behind financial arrangements was quite complex. However, when asked about potential legal changes, many of the couples said they would welcome more legal rights and responsibilities towards their partner, particularly with respect to inheritance.

One important issue that has often been overlooked in previous research is the great diversity in cohabitation, and the impact that this may have on the treatment of money. Money management depends on whether the relationship is seen as a long-term alternative to marriage, as a prelude to marriage, or as a temporary arrangement – perceptions that may change over time (Ashby and Burgoyne, 2005). Another issue is that cohabitation is often seen in a

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negative light as a 'retreat' from marriage, with a fear that the institution of marriage is being undermined. Some couples do regard cohabitation as a valid alternative to marriage, and some feel that they are as good as married already (Barlow *et al*., 2001). However, there is also evidence from studies in the USA that marriage can signify for some the achievement of an enhanced socio-economic status (Smock and Manning, 2004; Smock, Manning and Porter, 2005; Seltzer, 2004). Some low-income cohabiting couples valued marriage highly but felt they had to overcome certain obstacles before they would marry (Kiernan, 2004). Smock *et al*. (2005) found that the likelihood of getting wed was sensitive to men's ability to provide, with financial stress and conflict acting as an indirect barrier to marriage. Lower income cohabitees wanted to get out of debt, own their own homes, have a stable income and be able to afford a 'real' wedding before they would contemplate getting married.

Financial practices in some types of cohabiting couples may differ from those in marriage. Work by Vogler (2005) shows that marital status has an independent effect on money management (controlling for other variables), with separate systems more likely in cohabitation. Whereas 'nubile' (young without children) and post-marital cohabitors were more likely to use partial pooling and independent management systems, those with a biological child used housekeeping allowance systems more than their married counterparts, especially when the man was unemployed or in the working or intermediate classes. Childless cohabitors, especially when the woman was in a professional or managerial position and the man was under fifty-five, were more likely to adopt a relatively egalitarian co-provisioning approach to money.

In other respects, cohabiting couples appear all too similar to their married counterparts. Avellar and Smock (2004) found that gender inequalities in access to finances were just as likely in cohabiting unions and that, after dissolution, women's incomes were likely to drop by 33% (compared with 10% for men). Although women leaving cohabiting unions appeared not to suffer quite as large a drop in their finances as those getting divorced, the differences were relatively small when the women had custody of children.

6.4.2 Same-sex couples

To date, there is relatively little research on the economic behaviour of same-sex couples (but see Blumstein and Schwartz, 1983; Dunne, 1997). The first UK study to examine this in some depth revealed that very few lesbian and gay couples were pooling all their income, though a majority pooled some money to cover joint expenses (Burns, Burgoyne, Clarke and Ashby, 2005). As with the cohabiting couples discussed earlier, this lack of pooling did not necessarily imply disunity; it may partly be due to the risks of merging finances in the absence of legal regulation. It will be interesting to see whether the introduction of the Civil Partnerships legislation in the UK has any impact on this behaviour. Burns *et al*.'s participants were also keen to emphasize

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the importance of fairness and equality in the relationship. However, these are contested concepts and what they meant in practice varied a great deal from one couple to another. For example, contributions could be described as *both* equal *and* proportional; further analysis is required to tease out the way that these concepts are being applied. Being financially dependent on one's partner was to be avoided, though most said they were prepared to support each other financially if necessary. However, contrary to the assumptions of the new legislation, such support seemed in many cases to be time-limited, for example, until the supported partner could find another job, and many seemed to endorse an ethic of co-independence rather than mutual dependence. An analysis of large-scale survey data from the same study (Burgoyne, Clarke and Burns, forthcoming) will allow us to test the generality of these findings. We shall also explore the relationships between relative earning power and financial practices, as well as potential similarities and differences between female and male couples.

The studies we have outlined above highlight the diversity of economic decisions in the household. They encompass negotiations about who will provide for the couple or family, who will provide childcare, and how the household chores will get done. A couple also has to decide whether to aim for equality of contribution or of outcome, and how to achieve a fair balance of benefits and burdens. Moreover, the meaning of concepts such as *autonomy* or *financial contribution* may be gender-specific. One example is the common aphorism that an independent man is one who is not reliant on paid employment, whereas an independent woman is one who is not financially dependent on someone else. More research is needed on the economic arrangements of same-sex couples, but, as we have seen, gender is an important factor in the treatment of money in heterosexual cohabitation and marriage. Men and women also differ in their financial preferences, with wives tending to be more conscientious, more motivated to save and less willing to take on debt or financial risks than their husbands, with the latter tending to be more future-oriented (Nyhus, 2005). Today's new couples still assume that the woman will take principal responsibility for childcare, especially in the early years, and this usually means a reduction in women's incomes and earning power. However, even when both partners are employed full-time, men still do less than half of the household work (Crompton, Brockmann, and Wiggins, 2003; Brandstätter and Wagner, 1994). Thus, whilst some aspects of couple relationships have been changing rapidly, others appear to be much more resistant to change.

6.5 Conclusions

The changing nature of marriage and the increasing prevalence of alternative forms of partnership have raised concerns in some quarters about the 'deinstitutionalization' and 'individualization' of marriage, with an attendant erosion of concepts such as commitment and obligation (see Lewis, 2001; Cherlin, 2004). Others are more concerned by the apparent 'retreat' from marriage as indicated in increasing rates of cohabitation. However, as Amato (2004) argues, whether or not this is seen as a problem depends on whether one takes an institutional or an individual perspective. Fears about what has been termed an 'ethic of expressive individualism' (Cherlin, 2004) may to some extent be unfounded. People are still performing the functions of marriage even if the forms are more diverse (Barlow *et al*., 2005). Earlier moral discourses in terms of rights and responsibilities still exist, albeit with different content. As Gerson (2002, pp. 12–14) so aptly puts it: 'As adult partnerships have become more fluid and voluntary, (couples) are grappling with how to form relationships that balance commitment with autonomy and self-sufficiency.'

Nonetheless, the increasing diversity of family life-cycles and family forms that has emerged in the last couple of decades has certainly weakened the predictive power of earlier models of behaviour based on demographic or socio-economic variables (Nyhus, 2005). The current proliferation of research on couple relationships other than heterosexual marriage should provide us with valuable information on the ways that economic behaviour within households may be adapting to new social and economic demands. However, there is one important issue that remains to be resolved: how to aggregate the information from two individuals within a household when they may not always agree about such basic 'facts' as level of household income, or how much they are able to save (Kirchler *et al*., 2001). Although Nyhus (2005) found that couples using the joint pool were more likely to give similar accounts of their economic situation than those using other systems, there were still significant differences in their reports. This led her to conclude that household finances resemble more of a 'duel' than a 'duet'.

Does our exploration of economic behaviour in the household support this view? To a great extent, we think it does. First, and most importantly, we discern one common thread: money in intimate relationships (of all types) is 'relational' (Nyman, 2003). In other words, the treatment of economic resources and decision making can only be understood within the context of the relationship within which they are embedded. Moreover, the relationship may be constrained, shaped or facilitated by the way that such issues are handled. Nyman (2003) argues that, in order for one partner to have influence in the relationship, their financial contribution needs to remain visible. But of course this very visibility can make dependence all the more obvious if one partner is unable to maintain that contribution (Burgoyne, 2005). If the couple operates according to the principle of equity, then this can make it seem legitimate for the main contributor to have better access to personal spending money and a greater 'say' in decision making (cf. Elizabeth, 2001).

Paradoxically, pooling of income can allow the power of the main contributor to remain unchallenged and hidden, especially if the partner contributing less (or not at all) lacks that sense of entitlement that seems to go hand in hand with earning. Even when there is no obvious attempt to exercise such power, being supported financially can be a two-edged sword. It may be experienced as an expression of love but at the same time may create a diffuse feeling of obligation. Attempts to circumvent this by using a separate system of finances (such as independent management) in new marriages and perhaps both same-sex and heterosexual cohabitation also seem doomed to failure. As Elizabeth (2001) has noted, couples adopt independent management in order to resist the assumption (implicit in heterosexual marriage) of women's financial dependence, and to maintain equality between the partners. However, as Ashby and Burgoyne (2005) also found, when there is a significant disparity in incomes, the economically more powerful partner has the potential to influence the other's freedom either by insisting on equal contributions (which leaves them with less personal spending money) or by 'helping them out' (and thereby demonstrating their own power and the other's weakness). 'Used to oppose the constraints of financial dependence, independent money management is unable to produce unfettered independence' (Elizabeth, 2001). So again, paradoxically, independent management can also partially disguise and facilitate the power of the higher earner – in contradiction to the expectations of many who adopt this system.

Thus, despite the emphasis on independence and financial 'identity' in current forms of partnership, some of the old inequalities still seem to emerge somewhere – a bit like squeezing a balloon. As Elizabeth (2001) points out, if couples focus on equality of contribution, then equality of access, equal personal spending money, and equal control become elusive. Is there a solution? It takes a great deal of commitment to treat household resources and decision making in a truly collective way and this may apply regardless of the legal status of the partnership. However, if a couple is really serious about achieving equality, then it should not be impossible. One possible way would be to pool all income, cover *all* joint expenses (see Nyman 2003) and split any remaining money between them. If a significant proportion of couples were to organize money in this way, then future research might reveal some interesting new patterns in household economic behaviour where gender-associated issues of financial power are less in evidence.

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