

# Marriage, Cohabitation, and Charitable Giving

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# Introduction: Marriage and Cohabitation

- Economic view of marriage
  - Mechanism to exploit increasing returns within the household
  - From production, consumption of household goods
- Some couples choose cohabitation instead
  - The benefits are largely the same
- Greater *commitment* could be driving the decision to marry rather than cohabit
- Lundberg and Pollak (2013)
  - Commitment “foster[s] cooperation and encourage[s] marriage-specific investments,” particularly for household public goods

# Introduction: Household Public Goods

- Household public goods
  - Non-rivalrous
  - Can be consumed jointly
  - e.g. living space, heating, child's well-being
- Household public goods can be consumed *only if* the household union remains intact
- Marriage increases commitment  $\implies$  household public goods provide more utility for married than cohabiting couples
- We should expect to see married couples consuming more household public goods than cohabiting couples

# Introduction: Charitable Giving

- Charitable giving is an example of a household public good (Andreoni, Brown, and Rischall 2003)
  - Giving may contribute to the stock of “relational capital”
- A function of income, tax rates, and other household characteristics
  - Differences in amounts of giving by married vs cohabiting couples (\$2,145 vs. \$310 / year)
  - Do these hold when controlling for other factors/is the relationship causal?
  - Insight into both giving and household public goods

# Research Results

- Are there differences between the giving of married and cohabiting couples, holding explanatory variables from the “giving equation” constant?
  - Answer: Yes—married households are about 17% more likely to give than cohabiting households and give  $4\times$  as more, holding income, tax rates, and demographics constant.
- Does increased commitment and the marriage decision itself affect giving?
  - Answer: Yes—once-cohabiting couples are 7.3% more likely to give *after* they get married, and are expected to give 43% more

- Panel Study of Income Dynamics (PSID), 2001-2015
  - Possible to identify cohabiting couples
  - Gives detailed information on charitable giving starting in 2001
  - Longitudinal, allowing for the following of couples before and after they get married
- [▶▶ Summary statistics](#)

# Empirical Strategy: Tax Price of Giving

- The “tax-price” of giving is an important input in the giving equation
- Typically defined to be  $1 - \tau$ 
  - $\tau$  is the marginal tax rate
- Following Meer and Priday (2020),  $Price = 1 + \frac{T_I - T}{100}$ 
  - $T$  is the tax liability of a household
  - $T_I$  is the tax liability if they gave \$100 dollars more to charity
  - Use NBER's Taxsim to estimate  $T$  and  $T_I$
  - This approach is used because of complications with EITC and CTC
- The tax price variable is endogenous because households can donate enough to move into a lower tax bracket
  - Solution: instrumental variable—zero-dollar tax-price of giving

# Empirical Strategy: Couple Status and Giving

$$\begin{aligned} \text{Giving}_{it} = & \beta_0 + \beta_1 \cdot \text{Cohabits}_{it} + \beta_2 \cdot \text{Single}_{it} + \gamma_1 \cdot \text{Cohabits}_{it} \times \text{Price}_{it} \\ & + \gamma_2 \cdot \text{Single}_{it} \times \text{Price}_{it} + \theta \cdot \text{Price}_{it} + \pi \cdot X_{it} + \alpha_t + \varepsilon_{it} \end{aligned}$$

- Sample: all families in all years excluding low-income over-sample and same sex couples
- $\text{Cohabits}_{it}$ ,  $\text{Single}_{it}$ : 1 if family  $i$  is headed by a cohabiting couple or a single person, respectively, in year  $t$
- $\text{Price}_{it}$ : tax-price of giving faced by family  $i$  in time  $t$
- Interactions between couple status and price are included
- $X_{it}$  includes income, number of children, and age, education, and religious preference of the head of household.



Table: Couple Status and Giving

	Pr(gives)	Log(giving)
Perm. cohabiting	-.1715***	-1.453***
1 <sup>st</sup> -year cohabiting	-.1492***	-1.181***
Single	-.0803***	-.7400***
PC $\times$ Log(price)	-.3558***	-.69599
1YC $\times$ Log(price)	-.2791	-.7194
Single $\times$ Log(price)	-.2591***	-1.450***

# Empirical Strategy: The Effects of Marriage on Giving

$$\begin{aligned} \text{Giving}_{it} = & \beta_0 + \beta_1 \cdot \text{AlwaysCohabits}_i + \beta_2 \cdot \text{GetsMarried}_{it} \\ & + \gamma_1 \cdot \text{GotMarried}_{it} + X_{it} + \alpha_t + \varepsilon_{it} \end{aligned}$$

- Sample: families headed by couples who were a) always married, b) always cohabiting, c) switched from cohabitation to marriage
- $\text{AlwaysCohabits}_i$ : 1 if family  $i$  is always headed by a cohabiting couple
- $\text{GetsMarried}_{it}$ : 1 if family  $i$  in time  $t$  cohabits but later gets married
- $\text{GotMarried}_{it}$ : 1 if family  $i$  in time  $t$  is married but was previously cohabiting
- $X_{it}$  includes tax-price, its interactions with the subcouple statuses, income, number of children, and age, education, and religious preference of the head and wife of household.

Table: The Effects of Marriage on Giving

	Pr(gives)	Log(giving)
Always cohabiting	-.1643***	-1.349***
Gets married	-.1173***	-1.038***
Got married	-.0440***	-.6102***
$H_0 : AC = \text{Gets}$	2.01	2.17
$H_0 : \text{Gets} = \text{Got}$	7.15***	6.24**

# Conclusion

- Evidence that married couples give more to charity than cohabiting couples, other things equal
- Evidence for a causal relationship between commitment and at least one household public good: charitable giving
- However, the marriage decision is endogenous → difficult to say for sure
- Future work:
  - Use of a strong instrument for marriage
  - Commitment and other household public goods

# Appendix: Summary Statistics

Table: Summary Statistics

	Married	Permanent Cohabiting	First-year Cohabiting	Single
Gives to charity	.7756	.3993	.3652	.5318
Total giving	2,144.86	309.76	297.31	744.39
Price	.9066	.9622	.9772	.9622
Income	86,517.97	54,801.89	42,030.33	35,064.81
Age of Head	47.81	36.80	29.94	46.79
<i>n</i>	23,122	2,331	979	14,579