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MARITAL SORTING AND PARENTAL WEALTH

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ABSTRACT

Using data from the Panel Study of Income Dynamics (PSID), this paper studies the degree to which spouses sort in the marriage market on the basis of parental wealth. We estimate a variety of models, including transition matrices, OLS and TSLS models to deal with measurement error in wealth reports. Our various results show that men and women in the U.S. marry spouses whose parents have wealth similar to that of their own parents; and are very unlikely to marry persons from very different parental wealth backgrounds. This effect is present in the population as a whole, within racial groups, and especially in the tails of the distribution. Our preferred estimates indicate that the correlation in log wealth between own and spouse's parents wealth is around 0.4. We show that education accounts for only one-quarter of this sorting, and also show that selection into and out marriage by parental wealth does not appreciably bias our results.

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1 Introduction

Marital sorting – who marries whom – has long interested social scientists. This interest is not surprising. Marriage is a key indicator of cross-group interactions so the tendency of particular types of people to marry is instructive about how socially segregated society is along various dimensions. Marital sorting also has important implications for inequality in socio-economic outcomes. How people sort into marriage determines how the socio-economic gains from marriage are distributed in the population at any point in time.[1] And, if there is sorting on the basis of parental traits, socio-economic movement *across* generations might be affected.[2]

There are theoretical reasons to expect some sorting by socio-economic background, as measured by parental traits. People from similar backgrounds likely have similar tastes, which would tend to make them mutually attractive as marriage partners. Adults from similar backgrounds are more likely to have earlier met and socially interacted. And, in a standard queuing model (Becker 1973) men and women from similar backgrounds would tend to marry if parental background were a desired trait in the marriage market. Despite its potential contribution to inequality, there has been very little work on sorting by parental traits. This paper is the first to study marriage market sorting by parental wealth.

Perhaps the key challenge to studying marital sorting by a trait like parental wealth is the paucity of data: very few data sources provide information on the parental traits of married adults. There is some work, dating from the 1940s, studying similarity in spouses' parents' occupational class (Burgess and Wallin 1943, Centers 1949, Rubin 1968, Kalmijn 1991 and

[1] Some of the gains from marriage documented in the literature include better health (Lillard and Waite 1995;Waite 1995) and wage gains (Chun and Lee 2001; Gray 1997; Hersch and Stratton 2000; and Loh 1996). Consistent with the idea of marital gains, marital disruption appears to cause declines in economic wellbeing for both men (Hoffman and Duncan 1988; Smock 1993) and women (McManus and DiPrete 2001).

[2] See Solon (1999) for a comprehensive review of the large empirical literature on inter-generational correlations in socio-economic outcomes. See Kremer (1997) and Fernandez and Rogerson (2001) for theoretical analysis of the connection between sorting and inequality.

Uunk et al. 1996). Because parental wealth summarizes command over financial resources, it may better reflect adults' socio-economic background than do measures of occupational affiliation.

This paper uses data from the Panel Study of Income Dynamics (PSID). In 1988 the survey elicited information about the wealth of the living *parents* of respondents and respondents' spouses. In principle, these reports permit a comparison of the parental wealth of a random sample of married adults. Unfortunately, this simple exercise is complicated by various features of the data. One problem is that a non-trivial fraction of the parental wealth reports are in broad wealth categories like "negative", "zero" and "positive". Another, and more important, problem is that when adult children report parental wealth, and especially when they give explicit numerical values of parental wealth, the reports are likely fraught with error, both classical and otherwise.

Making as full use of the available data as possible, we present a variety of estimates of sorting by parental wealth. We first show that there is a very strong positive correlation between spousal parental wealth in reported categories – both in terms of reported categories like "negative", "zero", and "positive" wealth and when we sort the sample into wealth brackets based on the ranges used by the PSID. We also show that spouses are disproportionately likely to have parents who occupy similar quintiles in the continuous parental wealth distribution. This sorting tendency is particularly pronounced in the tails: the sons and daughters of parents in the highest and lowest quintiles of parental wealth are especially likely to marry people from similar backgrounds.

To produce quantitative estimates of sorting we estimate the correlation in parental wealth among the subset of our sample for which explicit positive wealth levels are reported. In

addition to simple OLS estimates, we present Two Stage Least Squares (TSLS) models meant to deal with biases arising from measurement error. Given the PSID genealogical design, for a part of the overall sample we know the respondent's report about their parents' wealth and the parents' *own* report of their wealth. This feature of the data allows us to estimate TSLS models where we instrument for one type of parental wealth report using another. These TSLS estimates are our preferred results. We estimate the correlation in parental wealth between U.S. husbands and wives to be between 0.38 and 0.42, and show that only between a fifth and a quarter of this correlation can be explained by sorting on the educational attainment of husbands and wives. All our results are robust to modifications in specification and sample construction.

We also formally measure the degree to which the sample of married couples on which our analysis is based is selected. Two types of selection are of concern: (a) if parental wealth affects whether or when people become married; and (b) if parental wealth affects the likelihood that a marriage dissolves and thus does not appear in our sample.[3] Various probit analyses of marriage formation show no evidence of selective sorting into marriage on the basis of parental wealth. We do find some evidence that higher parental wealth slightly increases the divorce hazard, but this effect differs very slightly depending on the wealth of one's in-laws. Overall, these results suggest that any biases arising from selection into our sample are small.

Apart from new evidence of parental wealth sorting, our work extends the large literature on marital sorting. Educational sorting has been a particular focus in this literature, with many authors documenting strong positive assortative mating by education (Lam 1988, Mare 1991,

[3] Another possible type of selection for which we are able to do little is the fact that our analysis is limited to adult children with living parents.

Pencavel 1998, and Schwartz and Mare 2005).[4] Education is an acquired trait, and people may acquire a given level of schooling with an eye to its marriage market payoff, so this work tells us little about marital sorting on the basis of factors outside an agent's control, like parental wealth. And, although parental wealth is strongly correlated with schooling attainment, our analysis documents the impact of parental background on marriage outcomes above and beyond anything operating through education.

Our analysis also extends previous work on how financial resources affect martial formation and durability. Previous work on formation has examined traits like education and employment (Oppenheimer, Kalmijn, and Lim 1997; Smock and Manning 1997; Xieet al. 2003, and Sweeney 2002). To our knowledge, none of this work examines parental resources. Previous work on dissolution has focused on spouses' employment and wages.[5] A challenge faced in this work is the potential endogeneity between spouses' spousal labor supply outcomes and divorce.[6] Our focus on parental wealth permits a more comprehensive definition of the financial resources that might affect divorce and, because its focus is on *parental* traits, is free of some of endogeneity concerns likely to plague individual level measures like own labor supply.

The remainder of the paper is organized as follows. Section 2 describes and summarizes the data used in the analysis. Section 3 presents estimates of parental wealth sorting by wealth categories and by wealth quintiles. Section 4 presents estimates of parental wealth correlations,

[4] Whereas most literature on marital sorting has focused on education, some studies have examined sorting by occupation (Hout 1982) and ethnicity (Pagnini and Morgan 1990). In the biological sciences, there is evidence that men and women sort based on biological characteristics such as age and height (see Epstein and Guttman 1984).

[5] For theoretical arguments about how spousal wages or labor supply might affect the probability of divorce, see Oppenheimer 1988; Sayer and Bianchi 2000; Schoen et al. 2002; Heckert, Nowak, and Snyder 1998; Ono 1998; and Rogers 2004. Empirical analyses generally find have generally found positive association between wives' employment and earnings and divorce, while husbands' labor supply and labor income are negatively associated with divorce (Heckert et al. 1998; Jalovaara 2003; Ono 1998; Rogers 2004; Schoen et al. 2002; South 2001; Teachman 2010).

[6] For example, wives may increase labor supply in anticipation of divorce (Lyngstad and Jalovaara 2010; Ono 1998; Rogers 1999), or may choose to work because of traits are correlated with divorce, such as their attitudes about gender roles (Sayer and Bianchi 2000).

including various TSLS results. Section 5 gives robustness evidence about the effect of parental wealth on marriage formation and dissolution. Section 6 concludes.

2. Data on Parental Wealth and PSID Sample

We take advantage of a series of questions on parental background asked in a supplement in 1988. In each wave of the PSID, a single household member responds to survey questions for the entire household. Unmarried respondents answered these questions about their own parents; married respondents answered about their own parents *and* their spouse's parents. In addition to parental wealth, the parental background information included whether parents were alive at the time of the survey, the parents' age if alive, parental education, parents' marital status, and whether the parents had remarried.

Questions about parental wealth concerned current (as of 1988) level of wealth. If the parents of either spouse were not married to each other at the time of the survey, the questions were asked for both fathers (and the father's new family, if applicable) and mothers (and the mother's new family, if applicable). Two questions were asked about parental wealth. First: "Suppose your parents were to sell all of their major possessions (including their home), turn all their investments and other assets into cash, and pay off all their debts. Would they have something left over, break even, or be in debt?" Households reporting that their parents had positive wealth were subsequently asked, "How much would your parents have left over?" If the respondent did not know how much wealth their parents would have left over, they were asked to give an approximate range as to their parents' wealth (where the ranges were fixed as part of the

survey).[7] An exactly analogous set of questions was asked about the respondents' parents-in-law.

Our analysis focuses on the 1988 PSID sample. Because parental wealth information was asked only about parents alive as of the survey, we deleted couples for whom either spouse was an orphan at the time of the survey. Next, because it is difficult to link parental wealth to the child in cases where parents were alive, but had remarried, we exclude the 8% of all married households meeting this condition. When both parents were divorced and not remarried, the reported wealth of the two households is summed.[8] These restrictions result in a sample of 1820 cases. As we proceed through our analysis, we use different versions of this overall sample because of various features of the data. For example, the TSLS analysis requires the use of explicit positive wealth reports, so this part of the analysis drops not only the categorical "negative" and "zero" parental wealth cases but also cases where parental wealth was characterized as "positive" but no explicit numerical value was reported.

Panel A of Table 1 presents descriptive statistics for the 1988 sample of 1820 married couples for which we have *any* information on parental wealth. All means in this table are weighted using the PSID 1988 household-level weights and all dollar values are in 1988 dollars. About 90% of the sample is white. Husbands are slightly better educated that their wives, with about 54% of them having more than high school training compared to 47% for wives. At thirty-eight years old on average, husbands are about two years older than their wives. This age difference naturally manifests itself in the age of spouses' parents: husbands' fathers and

[7] The approach taken by the PSID elicits responses via "unfolding brackets". Specifically, respondents were asked if their parents' wealth was greater or less than $25,000. If they responded greater than $25,000, they were subsequently asked if it was greater or less than $100,000. If they initially responded that it was less than $25,000, they were subsequently asked whether it was greater than or less than $1,000.

[8] An exception occurs when one divorced parent is reported to have negative wealth and one positive. Since the level of indebtedness is not known, it is not possible to meaningfully combine reports in this case.

mothers, at ages 67 and 65, respectively, are two years older than wives' parents. Although reported parental education is substantially lower than adults' own schooling, the schooling difference between fathers and mothers is similar to the gap for adult children.

The final three rows in Panel A report the share of spouses' parents for whom available reports of wealth are the categorical values "negative", "zero" or "positive with no explicit not numerical value". Nearly half of the full married sample falls into these groups. In particular, for about 12% of couples the report about parental wealth is that is either "zero" or "negative". For 39% of spouses' parents we do not have an actual numerical value of wealth but know only that it "positive" and perhaps the unfolding bracket into which it falls. Panel B of Table 1 presents summary statistics for the subsample of 587 couples with explicit numerical positive wealth reports for both the husband's and wife' parents. This part of the sample shows a slightly higher incidence of whites than does the overall sample. Otherwise, the subsample is quite similar to the sample as a whole. The mean level of parental wealth for people with numerical wealth reports was about $170,000 in 1988 dollars, with a standard deviation of just over $200,000. The median value of parental wealth in this sample is $100,000.[9]

Reports about parental wealth are likely fraught with error and any such problems are probably more pronounced with explicit numerical wealth reports than for reports of parental wealth categories. If errors in reports about own and spouses' parents' wealth are random and uncorrelated, estimates of sorting by parental wealth would be biased towards zero. But measurement error might not be of this classical form. In particular, since respondents who overstate (understate) the wealth of their own parents might make the same sort of error in reporting the wealth of their parents-in-law, errors for the two wealth reports would probably be

[9] The distribution of numerical parental wealth values was very "lumpy", with many respondents giving numerical values reporting "round" values like $50,000 or $150,000.

positively correlated, leading to an overestimate of the degree of marital sorting. Naïve estimates of marital sorting by parental wealth which did not account for measurement error biased could thus be biased in *either* direction. We use a variety of methods to deal with these various types of measurement error in the analysis that follows.

3 Similarity in Parental Wealth Position among Spouses

3a. Sorting by Wealth Categories

We begin with an analysis of marital sorting using three categories of reported wealth – "negative", "zero", or "positive". This analysis is conducted on the full sample of 1820 couples from Panel A of Table 1. Table 2a presents the unconditional joint distribution of husbands' and wives' parents' wealth by the three categories for the full sample and suggests a positive correlation in husbands' and wife's parental wealth. For example, among husbands whose parents' wealth is "negative", 14% are married to wives whose parents' wealth is also "negative". This incidence is seven times larger than would be expected if people married at random and is much larger than the rates of marriage to these women by husbands from other backgrounds. While not as dramatic everywhere, these coarse categories show evidence of unconditional assortative matching throughout the distribution.[10]

Although Table 2a uses the entire sample of married spouses, the results discard a lot of information about those with reported "positive" parental wealth. For many of these persons we have either an explicit parental wealth report or a PSID- defined range into which parental wealth falls. Dropping from the sample in Table 2a those couples who report positive parental wealth but give no other information, we can sort the 1207 remaining couples into four reported

[10] Some assortative mating on the basis of parental wealth may reflect assortative mating on the basis of race, coupled with racial differences in parental wealth distributions (see Oliver and Shapiro 1996; Conley 1999 and Barsky et al 2002). We perform the analysis in Table 2A separately by race and find equally strong parental wealth sorting patterns *within* racial groups (whites and non-whites).

parental wealth categories: less than $1,000, $1,000 to less than $25,000, $25,000 to less than $100,000, and $100,000 or more. These ranges do not split the sample into equally sized groups. However, families with "zero" and "negative" parental wealth can be placed in the lowest bin, and those with "positive" parental wealth in Table 2a can be more finely disaggregated.

Table 2b presents the unconditional transition matrix of husbands and wives by the range into which their reported parents' wealth falls. The table shows much more dramatic evidence of sorting than do the coarser categories in Table 2a. For example, 16% of all husbands have parents in the lowest wealth range of less than $1,000. Among these men, 35% are married to wives with parents in the same wealth range. This is more than double the incidence we would expect relative to random sorting (16%). These husbands marry wives with parents from the top range at a rate of 20%, or about half the rate that random matching would predict. At the other end of the distribution, 60% of husbands with parents in the highest wealth range marry wives from similar backgrounds, which is vastly higher than the 39% rate we would expect from random matching. And, these husbands marry wives with parents in the lowest range of parental wealth at less than one-half the rate random matching would predict (7% versus 16%).

In Table 3 we report the results of a series of probit models that ask how a wife's parental wealth belonging to a given range affects the probability that her husbands' parents are in the given range, after adjusting for various observables. We present the estimated probit model coefficient for the variable, the estimated standard error in regular parentheses, and the implied marginal effect of the estimate in squared parentheses. These marginal effects are given by the mean of

$$\hat{\beta}_j \phi\left(\sum_j \beta_j X_{ij}\right) \tag{1}$$

in the sample, where $\hat{\beta}_j$ is the estimated probit coefficient, X_{ij} is the vector of observables, and $\phi(.)$ is the pdf of the Normal distribution. The probit models in Table 3 control for the race and age of each spouse, as well as the age of the parents of both spouses.[11]

Nearly all of the probit estimates are strongly statistically significant, and the implied marginal effects show dramatic sorting by wealth range, after accounting for observables. People are hugely likely to marry spouses from similar parental backgrounds, and the further a spouse's parental background is from their own, the sharply lower the incidence of marriage. For example, we estimate that wives with parents with reported wealth in the lowest range are 28 percentage points more likely to marry husbands from a similar background, compared to the excluded group of wives with the highest parental wealth range. Moreover, this implied marginal effect is larger than that for wives from the next wealthiest background (13 percentage points), which is in turn larger than the marginal effect for wives from the next highest wealth range (6 percentage points). Similar patterns exist through the table, although they seem especially pronounced at the tails. It also bears noting that, for all the wealth ranges, the marginal effects are very large, especially compared to the relevant mean outcome.

3b. Sorting by Wealth Quintiles

An alternative measure of sorting is the use of wealth quintiles. For this analysis (and henceforth) we focus on the part of the sample with explicit numerical reports about parental wealth for both husbands and wives (panel B of Table 1). Using this sample, we first adjust husbands' and wives' parental wealth for child age and race using a simple regression of log wealth. We then sort the residuals from those regressions into quintiles and create transition

[11] In all models that control for age, of either the individual or his parents, we include both linear and quadratic terms.

matrices whose elements elements π_{ab} indicate the probability that the wife's parents belongs to the a^{th} quintile of the wife's age-adjusted parental wealth distribution, given that the husband's parents belong to the b^{th} quintile of the husband's age-adjusted parental wealth distribution. The more independent husband's and wife's parental wealth, the greater the likelihood that the elements of the matrices should be close to one-fifth; large departures from 0.2 suggest strong systematic relationships between husbands' and wives' parental wealth.

Panel A of Table 4 shows this transition matrix result. The results are striking. Among husbands with parents in the lowest quintile of the adjusted parental wealth distribution, 39% are married to women whose parents also fall into the lowest 20% of the distribution of wives' adjusted parental wealth, while only 8% are married to women with parents in the top quintile of the parental wealth distribution. Sixty-three percent of men with parents in the lowest wealth quintile marry women whose parents are in the lowest two parental wealth quintiles. Only 19% of husbands with the poorest parents marry women whose parents are wealthy enough to place them in the top 40% of the parental wealth distribution. The same sorting is evident at the top end of the wealth distribution. Sixty-four percent of husbands with parents in the top quintile of the adjusted parental wealth distribution are married to wives whose parents are in the upper 40% of the parental wealth distribution. Only 10% of husbands from the wealthiest parental backgrounds are married to wives drawn from families in the lowest quintile of the adjusted parental wealth distribution.

Although it is most pronounced in the tails, this tendency of people to marry spouses whose parents are drawn from the same approximate place in the parental wealth distribution can be seen throughout the distribution. The null hypothesis that husbands' and wives' reported parental wealth quintiles are independent can be rejected at any conventional level of

significance (p-value < 0.001). Robustness exercises suggest that this finding is not an artifact of the results in Table 4 being restricted to the portion of the sample for which we have explicit positive numerical reports.[12]

The preceding results strongly suggest that people marry spouses who come from very similar wealth backgrounds. What explains this sorting? One possibility is that parental wealth may determine people's preferences, so that the traits one finds attractive among all the people one meets in the marriage market tend to be most prevalent in people from similar backgrounds. Alternatively, being from a particular wealth background may have no causal effect of preferences at all, but may merely delimit the set of people with whom one interacts and gets to know.

We do not attempt to identify the precise mechanism that generates parental wealth sorting in this paper, but we examine throughout the role of the one obvious mechanism – the couple's own education.[13] Individuals' schooling likely affects their preferences, and schooling affects the set of people with whom individuals interact during the ages when marriage decisions are made. Finally, it is well known that a person's wealth background determines their level of schooling (Conley 1999).

In Panel B of Table 4, we re-do the analysis Panel A, but now regression-adjust reported parental wealth for educational attainment as well. A comparison of the two panels shows that whereas adjusting for education slightly reduces estimated sorting in the transition matrices, residual parental wealth levels remain highly associated $\left(\chi^2(16) = 74.1,\ \text{p-value}<0.001\right)$. For

[12] In a robustness exercise, we expand the sample for the transition matrix analysis by including information from the PSID unfolding bracket ranges. We allocate wealth values to people in a reported bracket equal to the mean response for those with exact reports. The transition matrices computed using this alternative method yield results very similar to results shown in Table 4.

[13] There is a literature showing that couples sort based upon their own level of educational attainment. See Schwartz and Mare (2005) and the cites within.

example, even after accounting for the spouses' education levels, 36% of husbands from the bottom quintile of the parental wealth residuals marry wives from the bottom quintile, which is 16 percentage points more than would be expected by random matching, while 33% of husbands from the top quintile marry wives from the top quintile. Sorting on the basis of schooling contributes to assortative mating by parental wealth, but the transition matrix estimates suggests that that contribution is relatively small.

Like the earlier results, the transition matrix estimates show strong evidence of dynastic marriage: the offspring of wealthy (poorer) families marry the offspring of other wealthy (poorer) families. Nor does this sorting appear to be a function of sorting by race or education. Nonetheless, a concern about all the results presented thus far is that they are based on children's reports of parental wealth, and as such might be seriously affected by measurement error concerns. Also, none of the estimates thus far shown is a summary, quantitative measure of sorting. That is, these estimates do not tell us how much larger, on average, a husband's parents' wealth is for each additional dollar of a wife's parents' wealth. We turn next to quantitative estimates of marital sorting, in which we try to account formally for measurement error problems.

4. Estimated Correlation in the Level of Parental Wealth

For this analysis, following the specification used by authors like Solon (1992), Mulligan (1997), and Charles and Hurst (2003) to assess the intergenerational correlations in economic well being, we estimate:

$$\ln\left(W_f^P\right) = \alpha + \delta_1 \ln\left(W_h^P\right) + \beta X + \varepsilon \qquad (2)$$

where subscripts h (husband) and f (wife) denote the person whose parental wealth is reported. The superscript P denotes parental measures and W denotes household wealth. Thus, W_h^p is the reported wealth of the husband's parents, reported by the husband or another member of his household. The vector X contains various covariates, including both spouses' ages, the ages of their parents, and the race of the couple. This regression is estimated on the subsample with explicit numerical reports for both husbands' and wives' reported parental wealth.

Assuming that ε is normally distributed, the age- and race-adjusted wealth correlation between husbands' and wives' parents is the regression coefficient, δ_1, multiplied by the ratio of the standard deviation of wives' parental wealth to the standard deviation of husbands' parental wealth. Since Table 1 shows that these standard deviations are the same for spousal reports of parental wealth and since we will always adjust for age difference between spousal parents, we refer to the estimate of δ_1 as the estimated spousal parental wealth correlation in all that follows.

Unfortunately, potential measurement error in spouses' reports of their parents' wealth complicates interpretation of the OLS estimate of δ_1. In the case where errors in the reported parental wealth of husbands and wives are uncorrelated, classical measurement error in reports of the parental wealth variable on the left hand side of (2) are irrelevant, as the error is simply absorbed into the regression error term, ε. However, classical measurement error in reports of parental wealth variable on the right hand side will lead to an attenuated estimate of the correlation in spousal parental wealth, with the estimate of δ_1 biased towards zero. In this best-case scenario, the OLS estimate of δ_1 produces a lower bound on the true relationship between husbands and wives parental wealth.

If errors in the reports of husbands' and wives' parental wealth levels are correlated, determining the likely sign of any bias in the OLS estimates is more complicated. For example,

if the errors are positively correlated (as seems likely) the estimate of δ_1 will be biased upwards, all else equal.[14] In general, since we do not know how errors are correlated between spouses OLS estimates of δ_1 may be biased in either direction, rendering these estimates of limited value is assessing the true correlation between parental wealth of husbands and wives.

One way to deal with these measurement error problems is to employ an instrumental variables strategy. Specifically, if instruments could be found that are correlated with the report of one spouse's parents' wealth, but uncorrelated with any error in the parental wealth report of the other spouse, this variation could be isolated using Two Stage Least Squares (TSLS) to estimate the relationship of interest.

We use two instruments. Both measures are available because of the PSID's genealogical design. Children of core sample members themselves become part of the PSID core sample as they leave their parents' household and form their own households. As a result, the subsample of married couples in our analysis has at least one spouse who is the child or grandchild of an original sample member. Recall that the parental wealth question in 1988 was asked only of persons whose parents were alive in that year, so the parents of the children are *themselves* PSID core sample members, provided that they have not attrited from the sample prior to 1988. For the TSLS estimates we focus on these couples and their parents, provided that the parents reported positive wealth.[15]

The PSID core survey asked all sample members to report their own wealth in 1989. Thus, for children of original PSID sample members, we know both the child's report of the parent's wealth *and* the parent's own report of their own wealth. One natural instrument for the

[14] Although it seems unlikely, it is theoretically possible that the spousal reports of parental wealth could be negatively correlated. If this is the case, the estimate of δ_1 via OLS will be further attenuated.

[15] More than 97% of PSID parents report positive wealth. This suggests that children may be under-estimating their parents' wealth.

child's report of parental wealth report is the parent's report of their own wealth. The validity of the parent's own wealth report as an instrument requires that it be strongly correlated with the child's report.

To assess the strength of this relationship, we estimate

$$\ln\left(W^{P}_{PSID-child}\right) = \omega_0 + \omega_1 \ln\left(W^{P}_{P}\right) + \nu. \tag{3}$$

In (3), W^{P}_{P} denotes the parent's report of their own wealth. The variable $W^{P}_{PSID-child}$ denotes the wealth of the parent, as reported by the person in the couple who is descended from the PSID original sample or his/her spouse. It is important to stress that this "PSID-child" could be either a husband or a wife in the sample of married couples.

To conserve space we do not present the regression results for these first-stage results in a table, but regression estimates for (3) show that the parent's report of their own wealth and the child's report of parental wealth are very strongly and significantly related: the estimated coefficients for the parameters ω_0 and ω_1 are, respectively, 2.9 and 0.73 with *t*-statistics of 5.5 and 16.2, respectively. Indeed, if we could be certain that parents reported their own wealth with perfect accuracy, it would be straightforward to adjust the estimate of δ_1 from regression (2) by the appropriately estimated signal-to-noise ratio. However, even if parents report their wealth with some error, the parental report is still a valid instrument for the child's report. Given the strength of the first stage relationship the only thing that would invalidate the use of the parent's own report is if, for some reason, a parent's estimate of their own wealth were associated with the errors in the reported wealth of the child-in-law's parents. This possibly cannot be logically ruled out, but seems unlikely.

To implement the instrumental variables strategy, equation (2) must be modified in the following way:

$$\ln\left(W^{P}_{Other-child}\right) = \alpha + \delta_2 \ln\left(W^{P}_{PSID-child}\right) + \beta X + \varepsilon \quad (4)$$

In (4), unlike (2), we distinguish partners not by whether they are husband or wife, but by whether they are the person descended from the PSID original sample (*PSID-child*) or not (*Other-child*), since the *PSID-child* could be either male or female. For the TSLS exercise, we instrument for the *PSID-child*'s report of their parent's wealth using the parent's report of their own wealth, with the relevant first stage given by equation (3).

Table 5 presents the results of estimating the correlation in spousal parental wealth using the specifications given by (4) and (2). Row 1 of Panel A shows the OLS estimate of the spousal parental wealth correlation for regression (2), estimated on the full sample of married households with positive parental wealth reports. This strongly statistically significant point estimate is 0.46.

In the analyses in Panels B and C, we restrict the analysis sample to couples with valid data on the instrumental variables: the PSID parents' self-reported wealth. In the second row of Panel A, we again estimate (2), but restrict the sample to that used in Panels B and C. The estimate of the spousal parental wealth correlation in this subsample is again 0.46. This finding is immensely reassuring, as it shows that the subset of the positive report sub-sample for which we also have the parents' own report lines up remarkably well with the results for the positive numerical report sample overall.

Row 1 of Panel B presents the OLS estimates of regression (4) on the sub-sample for which we know both the child's and parent's own report of the parent's wealth, but with the spouses distinguished by whether they are they are the *PSID_child*, rather than whether they are the husband or wife. Again the results are very reassuring. The results show that the estimated correlation in spousal parental wealth of 0.45 is quite similar to the OLS estimate from (2) and is

just as strongly statistically significant. The re-formulation from (2) to (4) and the use of a subset of the original sample thus has no effect on the estimated correlation in spousal parental wealth.

The second row of Panel B of Table 5 presents TSLS estimates of (4), in which we instrument for the PSID child's report of their parent's wealth report using the parent's own report. The TSLS estimate of δ_2 of 0.38 is smaller than the corresponding OLS estimate. This suggests that, as suspected, there is in fact a positive correlation between the errors in spousal reports of parental wealth, which biases the OLS estimates in (2) and (4) upwards. Classical measurement error would have tended to bias the simple OLS estimates downwards.

Panel C of Table 5 again separates spouses by whether they were the PSID-child or not. The first regression in this panel relates the non-PSID child's parental wealth directly on the wealth of the parent of the PSID child *as reported by the parent*. To repeat, rather than using the parent's own wealth report $\left(W_P^P\right)$ as an instrument for the child's report, we use the parent's own report directly as the regressor in (4). That is, we estimate

$$\ln\left(W_{Other-child}^P\right) = \alpha + \delta_3 \ln\left(W_P^P\right) + \beta X + \varepsilon. \tag{5}$$

Since parents probably make random errors when giving numerical values of their own wealth, the estimate of δ_3 should be downwards biased. However unlike the estimates of (2) and (4) there is no reason to believe that the reporting errors of the dependent variable and the independent variable in (5) are correlated. The bias from estimating (5) should therefore be standard attenuation bias. Row 1 of Panel C shows that the OLS estimate of δ_3 is 0.28.

To account for potential attenuation bias in the OLS estimate of (5), we use the parents' report of their own education as an instrument for the parents' report of their own wealth.

Education dummies strongly predict parents' report of their own wealth.[16] Moreover, parental education reports are likely uncorrelated with the non-PSID child's error in reporting their parents' wealth. Row 2 of Panel C shows the estimated TSLS spousal parental correlation when we instrument for the parent's report using the parent's reported schooling. The estimate is 0.42.

Two things are noteworthy about the TSLS estimate of δ_3. First, the fact that the TSLS estimate of δ_3 is larger than the OLS estimate is consistent with our belief that there is some essentially random error in the parents' report of their own wealth and that this error is not positively correlated with errors in the child's report of the wealth of non-PSID child's parents' wealth. Second, the IV estimate of (5) is very close to the IV estimate from (4): 0.38 versus 0.42. We consider it immensely reassuring and persuasive that two different estimation approaches to accounting for measurement error in reports of parental wealth yield such similar point estimates, and therefore conclude relatively confidently that the correlation in spousal parental wealth is around 0.4.

To assess the importance of education in explaining the level of marital sorting based on parental wealth, we estimate TSLS version of (4) and (5) adding controls for the level of schooling for both spouses. When estimating (4) with husband and wife educational controls, we instrument the PSID-child's report of their parents' wealth with their parents' own report. Similarly, when re-estimating (5), we instrument the parents' report of their own wealth with the father's level of educational attainment (or the mother's if the father's is not available).

The results are shown in Table 6. The first row shows that re-estimating the TSLS version of (4) with controls for the spouses' own schooling lowers the estimate of δ_2 from 0.38

[16] In a regression of PSID parents' report of their own wealth on indicator variable denoting, respectively, that the father had exactly 12 years of schooling or more than 12 years of schooling, the estimated coefficients on the two dummy variables were 0.71 and 1.39 with t-statistics above 6 and an R^2 of 0.16. Parent's education is the father's education when it is available and mother's education otherwise.

to 0.30. In the second column of Table 6, we re-estimate the TSLS version of (5) with controls for spouses' own schooling and find a reduction in the estimate of δ_3 from 0.42 to 0.32. These results suggest that the preferences and social interactions that operate through schooling are important mechanisms by which sorting by parental wealth sorting is generated. However, as the earlier transition matrix results also show, this effect is not large; schooling appears to account for only about one quarter of estimated parental wealth sorting.[17]

5 Selection into the Sample of Spouses

A natural question is whether the various results we have documented are driven by selection into the 1988 married sample. If people exhibit a differential propensity to form marriages in the first place based on parental wealth, our estimates of parental wealth sorting among married couples might be biased. Similarly, if there is a differential propensity of marriages to dissolve based on parental wealth, our married sample will be very different from what the sorting among people who ever married, but who do survive into our sample of married couples.

We present some evidence about these two concerns. We begin with an analysis of how entry into marriage is affected by parental wealth for a representative sample of unmarried adults. The PSID asked households to report their wealth every five years between 1984 and 1999 and biannually thereafter. We match these responses to the survey data for the children from these families using the PSID's Family Identification and Mapping System (FIMS). Since

[17] It would be interesting to explore in future work whether this result holds up once accounting for finer measures of educational attainment than are available in the PSID such as the *type* of schools that the husband and wives attend.

parents report their own wealth every five year, we linearly interpolate the wealth for the years between reports.

We estimate simple discrete time hazard models of entry into marriage. The dependent variable in these models is an indicator of whether the individual marries in the following calendar year. Individuals enter the sample at age 15 and are censored once they marry, leave the sample, or are over the age of 40. We include all person-year observations for which the parent reports positive wealth – something done by more than 97% of the sample. The estimates are from pooled probit models with standard errors clustered at the level of the individual. We control for parental and child education,[18] whether the person is a student in the given year, whether the person in a parent in the given year, age and race.

Table 7 presents our estimation results. As with the earlier results, we present the probit estimates, standard errors in normal parentheses, and estimated marginal effects in squared parentheses. The marriage hazard – the probability that a previously unmarried adult marries within a year – is about 5 percent for men and 7 percent for women in each year. The baseline models labeled I show that parental wealth does not affect the marriage entry hazard for either men or women.

In the models labeled II, we add controls for labor force attachment and log wages among workers.[19] For this expanded model, as in the baseline specification, we find that parental wealth has no effect on the probability of entry into marriage for either men or women. These results suggest no selection *into* the sample of married couples used in main analysis.

[18] For children, we use the highest education level that is observed for the individual. For parents, we use the current education of the father, if it is available. If necessary, we impute his education from the other years. If the education of the father is never available, the mother's education is used as the measure of parental education.
[19] Wages are adjusted for inflation to 1988 dollars in all years. Values of both labor market hours and wages above the 99th percentile are re-coded to the 99th percentile

To assess how parental wealth affect marital dissolution, we use the sample of married couples who reported explicit positive values parents' wealth in 1988 and follow these couples forward in time. We construct couple-year observations beginning in 1988 and continuing through 2005. For each observation, we use the PSID's marital history file to construct a dummy variable set equal to one if the couple divorces in the following calendar year. Couples are censored from the sample when their marriage dissolves (through divorce or death), they reach their tenth anniversary, either spouse reaches his or her 63rd birthday, or the couple is no longer observed in the sample. We then use the pooled cross-sectional data to estimate probit models of the hazard of divorce in each year, with standard errors clustered at the couple level.

Our models include several control variables that are expected to be associated with the couple's probability of divorce: whether the marriage began when the bride was a teenager, whether the current marriage is a first marriage for both spouses, whether either spouse became a parent prior to the beginning of the current marriage, whether the spouses became parents after the beginning of the marriage, and a quadratic in the duration of the marriage to date. In a second set of models, we further control for spouses' labor supply and wage rates during the current calendar year.

Couples in our sample have been married an average of 5.1 years, so many couples are past the peak years of divorce which tends to occur in the first few years after marriage. Furthermore, the set of couples giving explicit wealth reports about both sets of parents may be more durable than the average couple. We study the probability of marital dissolution over the first 10 years of marriage, when divorce is most likely (Kreider 2005).

Table 8 presents probit coefficients, clustered standard errors and estimated marginal effect of the marital dissolution models with and without the controls for labor force outcomes.

Our estimates suggest that higher parental wealth on the part of both the husband and the wife increase the likelihood of marital dissolution. The interaction term captures whether this de-stabilizing effect of own parents' wealth varies by the wealth of in-laws. The results indicate that the positive effect on marital dissolution of higher own parental wealth is smaller the wealthier one's in-laws.[20] These results suggest that types of couples likely to have sorted out of the observed 1988 marriage sample are those with widely differing parental wealth; spouses whose parental wealth is similar seem to have more durable marriages and are thus more likely to be part of our sample. This pattern should bias us towards finding the positive parental wealth sorting we have documented. But is this effect economically (rather than merely statistically) meaningful?

The divorce hazard for the sample in Table 8 is about 0.3% per year, and is 0.4% per year for the full marriage sample in Panel 1 of Table 1. Both these numbers are about half as large as the estimated hazard of divorce from sample from the PSID that exclude left-censored couples (South 2001). The estimated marginal effects for the interaction terms in the table suggest that huge increases in log parental wealth have very small *differential* effects on the marriage hazard based on in-law wealth. So, while we find some evidence that own parents' wealth does appear to affect exit from marriage, there is much less evidence that this effect varies by the wealth of one's in-laws. On the whole, we think the estimated effects too small to appreciably bias our main conclusions about sorting by parental wealth.

[20] For robustness, we estimated versions of these models on the fuller sample in which we measure parental wealth by ranges or quintiles. To conserve space (given the number of interaction terms) we do not present these results, which show the same basic pattern in Table 8.

6 Conclusion

In this paper we use a variety of estimation strategies to study the degree to which spouses sort in the U.S. marriage market based on the wealth of their parents. We have been unable to find previous work studying this question in the large social science literature studying marriage and marital sorting. Our various estimates are striking and mutually supportive: men and women in the U.S. marry partners whose parents have wealth similar to that of their own parents; and are very unlikely to marry persons from very different parental wealth backgrounds. Our preferred estimate is that the correlation between own and spouses' parents log wealth is around 0.4. Many possible mechanisms might account for this sorting, but one channel we believe we have convincingly ruled out is that having to do with education. Specifically, we show that the fact that the sons and daughters of the wealthy (poor) tend to be very similarly educated explains no more than one-quarter of the strong assortative marriage by parental wealth we document.

Beyond its contribution to the marriage sorting literature, our work is relevant to the literatures on social fluidity and the inter-generational transmission of economic outcomes. Kalmijn captures the connection between marriage sorting and social fluidity well: "Questions about how much someone can get ahead socially and economically in spite of a disadvantageous social background are similar to questions about whether two individuals who are attracted to each other will get married despite their coming from different social backgrounds" (1991, p. 497). Our findings suggest that the society, especially, in the tails departs very dramatically for perfect fluidity.

Work in the large literature on inter-generational correlations studies how *own* outcomes, like earnings, are related between parents and their children but there has also been interest in the transmission across generations of less transitory and more complete measures of economic

resources such as asset ownership and wealth. Unlike income, a person's command over these other economic measures is determined at the level of the *household*. As a result, although this point has not been particularly emphasized in previous empirical work, the observed association between the wealth of a parent and the wealth of the child necessarily depends upon the access to wealth of the people the parent and child marry – something to which our parental wealth sorting results directly speak. An interesting area for future work would be to formally assess how much the parental wealth marital sorting we have estimated affects measured intergenerational associations like that for wealth and income.

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Table 1: Descriptive Statistics of Sample of Married Couples

Panel A: All Couples (N=1820)		
	Husbands	Wives
Age	38.36	36.15
Percent White	0.91	0.90
Education =12	0.32	0.41
Education > 12	0.54	0.47
Age of Child's Mother	65.06	63.26
Age of Child's Father	67.15	65.60
Child's Father's Education = 12	0.32	0.35
Child's Father's Education > 12	0.21	0.23
Parents have Negative Wealth	0.03	0.02
Parents have Zero Wealth	0.09	0.10
Percent with Positive Wealth, no Explicit Value	0.39	0.38
Panel B: Couples with Explicit Positive Wealth (N=587)		
	Husbands	Wives
Age	38.39	36.26
Percent White	0.93	0.94
Education = 12	0.31	0.42
Education > 12	0.58	0.50
Age of Child's Mother	65.41	63.47
Age of Child's Father	67.29	65.79
Child's Father's Education = 12	0.32	0.36
Child's Father's Education > 12	0.22	0.25
Parent's Wealth (Mean)	167,970	174,127
Parent's Wealth (Standard Deviation)	215,220	226,069
Parent's Wealth (Median)	100,000	100,000

Notes: Sample includes all married couples in the 1988 wave of the PSID where at least one parent of each spouse was alive in 1988 and parental wealth was measurable. See text for full details of sample construction. All wealth variables are measured in 1988 and are in 1988 dollars. The top 1% of wealth values for each set of parents were re-coded to the 99^{th} percentile. All entries were weighted using 1988 core PSID sample weights. The sample standard deviations of husbands' and wives' ages are 9.36 and 9.02, respectively. For the age of the child's mother, the corresponding numbers are 10.63 and 10.49, and for the age of the child's father they are 10.85 and 10.58.

Table 2a: Unconditional Parental Wealth Transition Matrix, by Race

Panel A: All Respondents (N=1820)

Wife's Parents' Wealth (Share)	Husband's Parents' Wealth (Share)		
	Negative (0.03)	Zero (0.09)	Positive (0.88)
Negative (0.02)	0.14	0.04	0.01
Zero (0.10)	0.11	0.27	0.08
Positive (0.88)	0.75	0.69	0.91
Total	1.00	1.00	1.00

Notes: Sample includes all married couples in the 1988 wave of the PSID with at least one parent of each spouse alive in 1988 and for which there is any information on parental wealth. All entries were weighted using 1988 core PSID sample weights. The unweighted likelihood ratio χ^2 statistic that the categories of husbands' and wives' parental wealth are independent is $\chi^2(4) = 241.9$ (p-value<0.001) for the full sample, $\chi^2(4) = 57.2$ (p-value < 0.001) for whites and $\chi^2(4) = 100.8$ (p-value < 0.001) for non-whites.

Table 2b: Parental Wealth Transition Matrix, by PSID Wealth Bracket, Excluding Couples with Positive Wealth but No Information about Level (N=1207)

		Husband's Parents' Wealth Range (Share)			
		<$1K (0.16)	**>=$1K,<$25K** (0.13)	**>=$25K,<$100K** (0.32)	**>=$100K** (0.39)
Wife's Parents' Wealth Range (Share)					
<$1K	(0.16)	0.35	0.20	0.13	0.07
>=$1K, <$25K	(0.14)	0.20	0.27	0.11	0.07
>=$25K, <$100K	(0.30)	0.25	0.31	0.44	0.26
>=$100K	(0.39)	0.20	0.22	0.31	0.60
	Total	1.00	1.00	1.00	1.00

Notes: Sample includes married couples in the 1988 wave of the PSID with least one parent of each spouse alive in 1988, for which parental wealth was either non-positive or positive and explicit or reported in bracket form. The ranges are PSID defined ranges from 1988 wealth survey. See text for further details. All entries were weighted using 1988 core PSID sample weights. The unweighted likelihood ratio χ^2 statistic that the categories of husbands' and wives' parental wealth are independent is $\chi 2\ (9) = 327.1$ (p-value<0.001).

Table 3: Probit Estimates of Husband's Parental Wealth Range as a Function of Wife's Parental Wealth Categories. (Robust Std Err. In Parentheses, Marginal Effect in Squared Parentheses).

	Dependent Variable			
	I. Husband's Parents' Wealth <$1K (mean = 0.16)	II. Husband's Parents' Wealth $1K-$25K (mean=0.13)	III. Husband's Parents' Wealth $25K-$100K (mean=0.32)	IV. Husband's Parents' Wealth >=$100K (mean=0.39)
Wife's Parents' Wealth <$1K (mean=0.16)	0.97 (0.17) [0.28]	0.52 (0.17) [0.13]	0.01 (0.15) [0.00]	-0.96 (0.15) [-0.25]
Wife's Parents' Wealth $1K-$25K (mean=0.14)	0.52 (0.19) [0.13]	0.80 (0.16) [0.22]	0.19 (0.15) [0.07]	-0.93 (0.15) [-0.25]
Wife's Parents' Wealth $25K-$100K (mean=0.30)	0.28 (0.15) [0.06]	0.24 (0.15) [0.05]	0.50 (0.11) [0.19]	-0.69 (0.11) [-0.20]
Pseudo R^2	0.14	0.08	0.03	0.15
N	1207	1207	1185	1207

Notes: Sample includes married couples in the 1988 PSID with at least one parent of each spouse alive in 1988 and parental wealth was non-positive, or positive with range or explicit value given. See text for furtehr details. Regressions control for race, and spouses' and parents' age. Regressions weighted using 1988 core PSID weights. Coefficients are probit coefficients. In Specification III, 22 observations with missing husband's parental wealth were dropped from the sample because none of the observations were from couples with husband's parental wealth $25,000-$100,000

Table 4: Parental Wealth Transition Matrix Among Couples with Explicit Parental Wealth Reports

	Panel A: Adjusted for Child Age and Race (N=587)					Panel B: Adjusted for Child Age, Race, and Education (N=587)				
	Husband's Parents' Wealth Quintiles					Husband's Parents' Wealth Quintiles				
Wife's Parents' Wealth Quintile	First Quintile	Second Quintile	Third Quintile	Fourth Quintile	Fifth Quintile	First Quintile	Second Quintile	Third Quintile	Fourth Quintile	Fifth Quintile
First Quintile	0.39	0.20	0.20	0.12	0.10	0.36	0.27	0.14	0.12	0.11
Second Quintile	0.24	0.32	0.19	0.13	0.11	0.24	0.23	0.20	0.26	0.08
Third Quintile	0.17	0.15	0.24	0.28	0.15	0.17	0.20	0.25	0.20	0.19
Fourth Quintile	0.11	0.19	0.25	0.22	0.24	0.11	0.19	0.25	0.15	0.30
Fifth Quintile	0.08	0.14	0.12	0.25	0.40	0.11	0.12	0.16	0.27	0.33
Total	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

Notes: Sample includes all married couples in the 1988 wave of the PSID where at least one parent of each spouse was alive in 1988 and explicit positive parental wealth report for both spouses' parents. All entries weighted using 1988 core PSID sample weights. The unweighted likelihood ratio c2 statistic that the quintiles of husbands' and wives' parental wealth are independent is c2(16) = 105.8 (p-value < 0.001) in Panel A and χ2(16) = 76.6 (p-value < 0.001) in Panel B.

Table 5: OLS and TSLS Estimates of Marital Sorting Based Upon Parental Wealth

Panel A: Regression of Log of Husband's Parents' Wealth on log Report of Wife's Parent's Wealth

Regression	Parental Wealth Coefficient	R^2	N
1. OLS Estimate (full sample)	0.46 (0.06)	0.28	587
2. OLS Estimate (sample from Panels B and C)	0.46 (0.06)	0.29	413

Panel B: Regression of Log of Non-PSID Child's Report of Parental Wealth on the Log of PSID Child's Report of Parental Wealth

Regression	Parental Wealth Coefficient	R^2	N
1. OLS Estimation	0.45 (0.06)	0.28	413
2. IV Estimation (Instrument: Parent's Own Wealth Report)	0.38 (0.07)	0.27	413

Panel C: Regression of Log of Non-PSID Child's Report of Parental Wealth on the Log of Parental Wealth of the PSID Child's (as Reported by the Parents)

Regression	Parental Wealth Coefficient	R^2	N
1. OLS Estimation	0.28 (0.06)	0.18	413
2. IV Estimation (Instrument: Parental Education Controls)	0.42 (0.13)	0.16	413

Notes: Sample includes all married couples in the 1988 wave of the PSID where at least one parent of each spouse was alive in 1988 with explict positive reports of parental wealth. See text for full details of sample construction. In Panels B and C, sample includes only husband-wife pairs where one spouse's parents gave report of own wealth in 1989. All regressions control for race, and spouses' and parents' age . The top 1% of parental wealth values were recoded to the value at the 99^{th} percentile. All regressions were weighted using 1988 core PSID weights. Robust standard errors are shown in parentheses.

Table 6: TSLS Estimates of Marital Sorting Based Upon Parental Wealth: Controlling for Education Levels of Husbands and Wives

	I	II
Log of Parental Wealth	0.30	0.32
	(0.07)	(0.20)
Independent Parental Wealth Variable	Log of Child's Report of Parental Wealth	Log of Parent's Report of Their Own Wealth
Instrument	Log of Parental Report of Parental Wealth	Parental Education
Regressions Include Child Education Controls	Yes	Yes
R^2	0.29	0.21
N	413	413

Notes: Sample includes married couples in the 1988 wave of the PSID where at least one parent of each spouse was alive in 1988 and parental wealth was measurable and positive and one of the spouses had parents who were PSID members reporting positive wealth in 1989 and for whom valid measures of the PSID parents' education could be constructed. The sample is identical to the one used for the results reported in Panels B and C of Table 5. See text for full details of sample construction. The top 1% of parental wealth values were recoded to the value at the 99th percentile. Aside from the inclusion of educational controls for both the husband and the wife, specifications I and II above are identical to those discussed in Panel B and Panel C of Table 5, respectively. The dependent variable for both specifications is the log of non-PSID child's report of parental wealth. Child education is controlled for using three dummy variables for each spouse (exactly 12 years, more than 12 years, or missing; fewer than 12 years is the omitted group). Robust standard errors are in parentheses.

Table 7: Hazard Model Estimates of Effect on Parnetal Wealth on Entry into Marriage (Robust Std Err. In Parentheses, Marginal Effect in Squared Parentheses).

	Men		Women	
	I	II	I	II
Ln(Parents' Wealth)	-0.00	-0.01	0.00	0.00
	(0.02)	(0.02)	(0.02)	(0.02)
	[-0.00]	[-0.00]	[0.00]	[0.00]
Doesn't Work		-0.33		-0.05
		(0.26)		(0.17)
		[-0.03]		[-0.01]
Works Part Time		-0.05		-0.03
		(0.07)		(0.07)
		[-0.01]		[-0.00]
Ln(Hourly Wage)		0.07		0.03
		(0.05)		(0.05)
		[0.01]		[0.00]
Pseudo R^2	0.08	0.10	0.06	0.06
N	18,118	18,118	16,226	16,226

Notes: Sample includes all observations from unmarried individuals ages 15-40 in the 1984-2005 waves of the PSID for whom parental wealth was measurable and positive. See text for full details of sample construction. Results shown are probit coefficients. Regressions control for race, own and parents' age, whether individual has a child, year, student status, and own and parents' schooling. The top 1% of wealth values and wage rates were re-coded to the 99^{th} percentile. All entries were weighted using year-specific individual PSID sample weights, rescaled to average one in each year.

Table 8: Hazard Model Estimates of Probability of Divorce in Following Year, for First 10 years of Marriage. (Robust Std Err. In Parentheses, Marginal Effect in Squared Parentheses).

	I	II
Ln(Husband's Parents' Wealth)	0.79	0.65
	(0.39)	(0.44)
	[0.005]	[0.004]
Ln(Wife's Parents' Wealth)	0.91	0.78
	(0.37)	(0.42)
	[0.006]	[0.004]
Ln(Husband's Parents' Wealth)*	-0.07	-0.06
Ln(Wife's Parents' Wealth)	(0.03)	(0.04)
	[-0.000]	[-0.000]
Labor Supply Contols: Husband Work Full Time? Wife Doesn't Work?, Wife Works Part Time? Husband's log wage, Wife's Log Wage if work	No	Yes
Pseudo R^2	0.21	0.33
N	5,400	5,400

Notes: Sample includes observations from 1988 married couples with explicit parental wealth reported for both spouses. Person-year observations begin in 1988 and end when the marriage dissolves or reaches its 10th anniversary, when either spouse reaches age 63, or the couple is no longer observed in the PSID. See text for further details. Results shown are probit coefficients. All regressions control for race, spouses' and parents' age, quadratic in the duration of the marriage, whether first marriage for both spouses, whether the marriage began while the wife was a teenager, whether either spouse became a parent prior to the marriage, whether have child, and spouses' and parents' education. Full-time work defined as 30 hours per week. The top 1% of wealth values for each set of parents were re-coded to the 99th percentile. All entries were weighted using the 1988 PSID household-level weights.