COMMUNITY PROPERTY LAW AND

COHABITATION RATES

by

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ABSTRACT

This research looks at the impact that community property law has on cohabitation rates. The risk ingrained in community property states discourages individuals from marriage promoting cohabitation as an alternative that does not have the same ramifications of the law. By comparing community property law states with common law states using multiple models, the research investigates the correlation of cohabitation and community property law from several angles.

Chapter 2 uses cross-sectional data from the Current Population Survey from 1977 to 2011 to view the impact that community property law has on cohabitation rates. The research uses a multinomial logit model to measure the likelihood to cohabit versus marry in the nine community property states and compares it to the rest of the US which utilizes a common law system to determine property ownership within marriage and beyond. In 1977 the impact was large, but it diminished over time until there was no difference between the cohabitation rates of the common law states and the community property states by 2006. The study also applies Akerlof's theory of reputation to show that as the impact that cohabitation has on reputation has lessened so has the difference caused by the community property law.

Chapter 3 looks at changes in Wisconsin divorce law as a natural experiment in the effect of law on cohabitation. Wisconsin was the last state to

adopt community property law. The research uses a difference in difference approach to study the impact that the adoption had on the cohabitation rate within Wisconsin and compares it with the increase in the cohabitation rate of a group of similar states. The study finds Wisconsin had greater growth of the cohabitation rate than similar states (which did not adopt the same change in law). It concludes that the adoption of the law was followed by an increase in the cohabitation rate greater than what was experienced in similar states.

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CHAPTER 1

INTRODUCTION AND LITERATURE REVIEW

1.1 Introduction

Several studies have looked at the impact that divorce law has on family formation and dissolution. However, none have touched directly on the impact that property law has on family formation, and only a few have mentioned it in passing (Gray, 1996, 1998). This research studies the effects of property law on household formation, more specifically the tendency towards cohabitation.

Becker, Landes and Michael (1977) were among the first to bring the family unit to the forefront of economic analysis. Becker et al. (1977) described household formation primarily as the selection of a spouse, assuming that if a couple were living together they were married (Brien, Lillard, & Stern, 2006). However, recently that assumption is increasingly inaccurate. Thirty percent of the participants in the NLS72 survey entered into a cohabitating relationship before or instead of marriage. Becker et al. (1977) outlined a utilitarian view of living arrangements. They first showed that by sharing living costs the overall expenditures would reduce and consumption would increase, increasing the aggregate household utility. Becker et al. (1977) showed that individuals would not marry or start living together unless the utility of each participant would be

greater living together than it would be if they lived apart. Furthermore the couples would gain utility from an increase in time spent with their significant other. Becker (1974) also outlines a more complex utility curve that includes the level of utility of one's partner: The husband gains utility from increasing the utility of the wife. Becker describes this tying of each other's utility into one's own as "caring" for one's partner. Couples that practice caring are able to obtain a higher level of utility than would otherwise be possible.

Starting in the late 1960s the landscape of family formation changed on multiple fronts. Prior to this transition society dictated that family formation followed a specific path. Individuals who strayed from that path suffered a loss of reputation. Similar to discrimination in Akerlof's 1980 study of the labor market, the utility gained by a good reputation can lead to conformity to a societal norm regardless of the belief system of the individual. The appropriate path according to societal norms included first courtship, followed by marriage, sexual relations, the birth and rearing of children, and finally the marriage ending with the death of one or both of the spouses. Deviating from that norm would include divorce, cohabitation and children born out of wedlock. Deviation could result in the loss of an individual's reputation, causing a drop in utility depending on the individual's utility curve. In 1940 the divorce rate (number of divorces in a year per 1,000 married couples) was 9.2. By 1970 it had increased to 14.9, and by 1974 it was 19.3 (Becker, Landes, & Michael, 1977). It peaked in 1979 at 22.8 (Stevenson & Wolfers, 2007). However, Stevenson and Wolfers indicate that since 1979 the divorce rate has dropped back down to the trend established

before the spike. This return has been attributed to rise in both the cohabitation rate (Bumpass & Sweet, 1989; Stevenson & Wolfers, 2007) as well as the average age at first marriage (Stevenson & Wolfers, 2007). Bumpass and Sweet indicate that cohabitation once faced disapproval because it flaunted sexual intimacy outside of marriage, but now that intimacy outside of marriage is common regardless of living arrangements, the impact on the cohabiters' reputation has lessened over the years (Cigno, 2009).

1.2 The Economic Analysis of Marriage

Family formation research in economics started with Gary Becker in the two articles "A Theory of Marriage Part I" (Becker, 1973) and "A Theory of Marriage Part II" (Becker, 1974). Since these two papers and his book "A Treatise on the Family," the study of the family within the economic framework has seen greater acceptance and the branch of family economics has been accepted into the mainstream. Since then many economists have looked at several aspects of the family including family formation and marriage markets (Chade & Ventura, 2002; Chiappori, Iyigun, & Weiss, 2009; Siow, 2008), fertility (Becker & Barro, 1988; Bonitsis & Geithman, 1987; Greenwood, Guner, & Knowles, 2003; Shields & Tracy, 1986), divorce (Becker et al., 1977; Brien et al., 2006; Stevenson & Wolfers, 2007), cohabitation (Brien et al., 2006; Bumpass & Sweet, 1989; Chevan, 1996; Cigno, 2009; Clayton & Voss, 1977; Glick & Spanier, 1980; Seltzer, 2000; Stevenson & Wolfers, 2007), legislation (Forte, 1996; Gray, 1996; Hancock, 1948; Seed, 1995; Stevenson & Wolfers, 2007;

Weiss & Willis, 1993), and division of house hold labor among the spouses (Blau, Kahn, & Waldfogel, 2000; Sheets & Braver, 1996; Stevens, Kiger, & Riley, 2001).

Becker (1973) outlined a framework where economies of scale would cause an increase in utility among married couples. Two individuals will marry or live together if and only if the utility of both is increased by doing so. They will remain together if and only if the perceived level of utility outside of the living arrangement is less than it is within the arrangement. The decision to start living together usually starts within the marriage market. Individuals gain information on the quality of the match through courtship until a point where the perceived utility of living together is greater than the current level of utility. Similar to the reservation wage in labor decisions, some individuals may have a reservation level of utility that they are waiting for in order to initiate marriage or cohabitation.

1.3 Cohabitation

Further research has distinguished between marriage and cohabitation. The utility of cohabitation compared with marriage can be diminished by social stigma and legal discrimination (Cigno, 2009). Cohabitation has been seen as an extension of courtship, a way to further filter out bad marital matches (Ridley, Peterman, & Avery, 1978). However, much of the recent research on cohabitation has shown that individuals who cohabitate prior to marriage are more likely to experience divorce than those who never cohabitate (Axinn & Thornton, 1992; Bennett, Blanc, & Bloom, 1988; Brien et al., 2006; Cigno, 2009; Dunifon & Kowaleski-Jones, 2002; Lillard, Brien, & Waite, 1995; Stevenson &

Wolfers, 2007; Teachman & Polonko, 1990). The debate over the impact of cohabitation on subsequent marital instability is not about whether it occurs but why it occurs. Authors such as Axinn and Thornton (1992) hypothesize that individuals who cohabitate are part of a subculture of individuals who are prone to marital instability, whereas others like Bennett et al. (1988) argue that the cohabiter learns a lack of commitment during the cohabitation period that may carry over into the marriage.

Cohabitation is becoming an ever more popular practice. The stigma against individuals that are cohabiting is diminishing. Even with the acceptance of cohabitation into our society there are still benefits of marrying over cohabiting. Married individuals are able to pay fewer taxes as well as participate in the partner's employer-based benefits. If individuals who cohabit are more likely to divorce and are unable to enjoy some of the benefits of marriage, then why do people cohabit? There must be some aspect of cohabitation that would cause the utility of cohabiting to be greater than both staying single and getting married. It could be simply that the longer marriage is pushed off the more likely a couple's relationship inertia will carry them into cohabitation (Stanley, Rhoades, & Markman, 2006).

1.4 Divorce

The prospect of divorcing and the emotional, economic, and social cost that comes along with it may be another aspect pushing individuals towards cohabitation or delaying their marriage. In the late 1960s and through the 1970s

divorce rates shot up to an unprecedented level. At the same time cohabitation levels have been steadily growing (Stevenson & Wolfers, 2007). The risk of an eventual divorce may push some to choose cohabitation over marriage.

The face of divorce laws also changed in the 70s and 80s. All 50 states and the District of Columbia have adopted either no fault divorce laws, unilateral divorce laws or both (Drewianka, 2008; Gunter & Johnson, 1978; Stevenson & Wolfers, 2006). No fault divorce laws allow a couple to petition the courts for a divorce without any underlying cause. Prior to this law many states required some underlying reason to grant a divorce, including but not limited to abuse, neglect, infidelity, insanity, imprisonment, or alcoholism. However, two healthy, well balanced adults would not be allowed to divorce. To get around this requirement many came up with a fault that both would agree upon. No fault divorce laws shifted the bargaining power from the party that wants the divorce the least to the one that wants it the most (Stevenson & Wolfers, 2006). However, the adoption of unilateral divorce law removed it all together. Under unilateral divorce law one spouse could file for divorce without the consent of the other. Without the requirement of getting a spouse to sign off on the divorce, bartering for that signature is no longer necessary. These two laws together could have pushed more individuals towards cohabitation. Divorce can be a difficult thing to go through and the loss of control over that aspect of marriage could contribute to the rise in the cohabitation rate (Stevenson & Wolfers, 2006).

1.5 Common Law

When a divorce does occur, one aspect that involves quite a bit of negotiating and bargaining is the division of assets. Each state has adopted one of two different rules governing how the assets are divided. The first is common law division, where the name on the title gives that individual the rights over that property. While in the last 30 years many common law states have initiated practices of fair division, the court has a great deal of discretion in judging what is "fair."

1.6 Community Property Law

The second type of law governing division of assets is community property law. This law creates a community or partnership when the marriage is established. Each spouse is an equal partner in all assets acquired during the marriage, and in the case of divorce all marital or community assets are divided equally. The marital assets will include retirement accounts, any income, and businesses, along with other financial and physical property. In community property states these assets would be split evenly with one spouse often buying the other out of homes and businesses, retirement accounts equalized and all marital assets split evenly regardless of the origination or effort put into their obtainment. Originally the law was used as a set of rules for inheritance but it currently plays a large role in divorce.

Furthermore, community property law also gives creditors access to the assets of the entire community (both spouses), allowing aggressive creditors to

go after the income of the spouse of the indebted even if the debt precedes the marriage. This law further diminishes the control or the semblance of control over an individual's contribution to the community's property (Carroll 2007).

Community property law was originally established in France and Spain. It migrated to the new world and was practiced in areas with greater Spanish and French influence. Influential settlers within 6 of the south western states including California, Nevada, Arizona, New Mexico, Texas and Louisiana continued the practice and put it in the initial laws of the individual state. Later, Washington and Idaho adopted the law upon statehood and finally Wisconsin adopted the law as a way to equalize gender outcomes within the new unilateral divorce laws; the first full year of practice without court challenges was 1988 (Seed, 1995).

1.7 Research Overview

This research is intended as a way to better understand how laws can influence individual behavior. Many have looked at the impact that the divorce law reform had on the divorce rate, family formation and many other subjects (Drewianka, 2008; Gray, 1996, 1998; Gunter & Johnson, 1978; Stevenson & Wolfers, 2006); however, most studies show that a lack of a significant impact on the divorce rates. Does the lack of control over an individual's contribution to the community in community property states influence some who would not otherwise cohabit to consider cohabiting? Primarily, I will be looking at the cohabitation rates in the community property states and I will compare them with those of the common law states.

The next chapter will review the impact of community property law on the cohabitation rate using a multinomial logit model to compare cohabitation and other relationship statuses to marriage, looking for the difference between common law states and the community property states. It will use the Current Population Survey (CPS) over the years between 1977 and 2011.

The subsequent chapter will evaluate the increase in the cohabitation rates for Wisconsin and compare them with the increase in a sample of similar states. Using the CPS in a difference in difference model, I will evaluate the impact that the 1988 law change had on Wisconsin's cohabitation rates.

1.8 Data

The CPS is used due to its large data set in multiple years including households with the geographical location data necessary to compare the different regimes. The CPS is a cross sectional data set rather than a longitudinal data set and therefore can only identify the number of individuals who are currently in a given relationship status. Since 1995, the CPS has included "nonmarried partner" as a response to the "relationship with the head of household" question. This allowed more accurate tracking of cohabiters. However, prior to 1995, cohabiting households had to be identified by reference to various characteristics, e.g., the number of adult nonrelatives of the opposite sex residing in the household. Many researchers have used POSSLQ (Partners of the Opposite Sex Sharing Living Quarters) or modified versions of the

POSSLQ, I will use a modified version for both chapters. These definitional issues, and their effects on the estimation, are discussed in Chapters 2 and 3.

CHAPTER 2

COMMUNITY PROPERTY LAW AND COHABITATION RATES

2.1 Introduction

Over the last 30 years cohabitation has been growing in acceptance and practice. Researchers such as Bumpass and Sweet (1989) and Stevenson and Wolfers (2007) have attributed the drop in marriages to the rise in cohabitation and the increased average age at first marriage. Bumpass and Sweet outline the growing acceptance for sexual relations outside the bonds of marriage as a predominant factor in the social acceptance of cohabiting partners.

Cohabitation has been seen as a trial period for marriage where only the good matches evolve into marriage, however many studies have shown that those that do cohabit prior to marriage are more likely to divorce (Axinn & Thornton, 1992; Bennett et al., 1988; Lillard et al., 1995). Others have shown cohabitation to have no effect on marital stability (Teachman & Polonko, 1990). Still others have found that premarital cohabitation decreases the likelihood of dissolution of subsequent marriages (Svarer, 2004). Most believe cohabitation increases the likelihood of divorce, at least in the US.

Many factors may play a role in promoting cohabitation. Becker (1974) indicated that the choice to marry would only be made if the utility of being married is greater than the utility of staying single. To take it one step further, the choice between cohabitation and marriage for a couple would involve comparing the utility of cohabitation with the utility of marriage. Marriage as an institution has several advantages over cohabitation including tax treatment of the couple, access to employment related family benefits as well as other social programs geared towards the married population (Stevenson & Wolfers, 2007). Cohabitation on the other hand is not as difficult to sever. Divorce requires at the very least legal paper work, at the most attorneys and court appearances. Ending cohabitation only requires a moving truck.

In addition to these influences on the relative costs and benefits of cohabitation and marriage, the form of family law may also have an influence. In particular, community property law and common law exert different influences on the likelihood of cohabitation.

In this paper I investigate the effects that the two different legal regimes have on cohabitation. I use the Current Population Survey (CPS) to estimate cross sectional and cross sectional time series models of marital status including cohabitation. My results indicate that the community property law has had an impact in the past. However, the effects have been diminishing over the years to the point where there is no difference in the cohabitation versus marriage rate between the two regimes. The next section will go over community property law and the impact it has on individual decisions. This is followed by a section looking

at cohabitation as a social structure and how that structure plays a role in the couple's decision to cohabit or marry. The description of the model will come next, followed by the results and conclusion.

2.2 Community Property Law

Community property law states that each individual in a marriage is an equal partner in the ownership of all of the assets of the family. Once you marry in a community property state, any new assets from that time forward become property of the community, defined by husband and wife, and as soon as the community dissolves through death or divorce the community assets are split in two equal portions. In the case of a death, the surviving spouse retains their half of the assets, and the other half goes to the beneficiaries of the deceased spouse (typically the surviving spouse). In the case of divorce, the assets are split equally between the two parties. Often, family homes must be sold, business owners must buy their ex-spouse out of the business, and 401ks and IRAs are split. Weitzman (1985) asserts that a wife could end up with as little as a third of the assets in a common law state, while in community property states they end up with exactly half. Weitzman does not back this assertion up with data, and the findings she did get from a specific data set (that unilateral and no fault divorce laws had a largely negative impact on the wives' post divorce economic welfare) were refuted by Peterson (1996). Peterson was unable to achieve the same results as Weitzman using the same data, calling into question the validity of Weitzman's research. Peterson did find similar results but with a smaller impact.

Outside Weitzman's assertions no others have empirically compared the difference in asset division between community property states and common law states. They have simply referred to community property law as more favorable to the wives than common law (Gray, 1998). The risk of losing half of the belongings of the community with no thought given to the source of the income that acquired the assets or the amount of effort either spouse put into the accumulation of these assets could deter some from entering into a marital union.

On top of the risk of equal division in community property states, some individuals may have the preference to not share ownership with their spouse. They would prefer to keep their name and only their name on assets. Some couples choose to have separate bank accounts, separate assets, and prefer to do as they will with the income they personally receive. However, community property states define all assets acquired within marriage as jointly owned by both spouses and community property law would decrease the utility of these individuals.[1]

Gray (1996), whose primary focus was on bargaining power of the wife in divorce, states that a wife divorcing under common law is only entitled to the assets she brought into the marriage and any assets put in her name during the marriage. She is not entitled to the income of her spouse (including any retirement) or any other assets acquired during marriage unless they are also put in her name, while wives divorcing in community property states are entitled to half of all of the assets acquired during marriage.

[1] No research has been found to back up this assumption

However, equal division of assets upon dissolution and preferences for separate assets are not the only deterrents to marrying in a community property state. According to Carroll (2007), once an individual is married they become liable for their spouse's premarital debt, and their spouse's premarital creditors can garnish that individuals wages or empty that individuals bank account to recover that debt.

These risks could encourage individuals to choose to cohabit in order to avoid the ramifications of the law. Individuals could use cohabitation as a way to avoid the debtors until the debt is no longer an issue.

In both community property states and common law states, the division of property is determined by the couple or the courts. However, the rules determining how the property is split are considerably different. Most common law states have laws stating the division of assets in the case of marital dissolution should be fair; however, community property states have made it mandatory to have the value of the assets that each party receives be exactly half of the total value. The division of assets in community property states is equal but not necessarily fair. What the courts or couples in common law states decide is fair is not necessarily equal. The court battles in common law states are to determine the fairness of the division. The court battles in community property states are to determine what is considered a marital asset and what is not (Aalberts, Clauretie, & Matoney, 2000) and how much each asset is worth.

2.3 Divorce

Starting in the mid 1960s and continuing on to 1981 the divorce rate increased drastically, shooting up from around 10 per 1000 married individuals in 1970 to 22.8 per 1000 married individuals in 1979 (Stevenson & Wolfers, 2007). At the same time states were passing no fault and unilateral divorce laws (Stevenson, 2006). These laws made it easier for the courts to grant a divorce as well as removing joint control over divorce, replacing it with unilateral control. At any given time a single spouse can decide without the consent of the other that the marriage is over, and they no longer have to have cause or fault for the breakdown of the marriage.

The new laws removed individual control, reducing the ability of the individual to control the risk of divorce and increasing the inherent risk in community property law once married.

2.4 Cohabitation as a Social Custom

Cohabitation does not carry the social standing or benefits of marriage. Within marriage you are often able to benefit from tax breaks, employment sponsored insurance and other social and government benefits. It also carries a social stigma and couples who cohabit have been viewed negatively in the past.

Many practices or beliefs that are carried from generation to generation can be described as a code of behavior. A code of behavior can motivate individuals to do something they would not otherwise choose to do.

The code of behavior for relationships in society has been courtship, followed by marriage, then sexual relations, baring and raising children and finally dissolution of the marriage by death. Those who deviated from the code by divorcing, cohabiting or having sexual relations outside of marriage diminished their reputation.

Aklerlof (1980) described a system where utility is a function of consumption, reputation and tastes and preferences. He demonstrates how a code of behavior may drive individuals towards market behavior that does not trade on the equilibrium, leaving a market that has not cleared of all beneficial trades. In his model individuals who do not obey the code lose their reputation and the loss of reputation causes a decrease in utility of that individual. He uses the model to demonstrate the longevity of racial and gender discrimination. He shows that, if an individual deviates from the code and suffers a loss of reputation reducing the utility more than the increase of utility from the benefits of the deviation, then the code will perpetuate. However, as more and more individuals deviate from the code, the loss of reputation from deviation decreases, reducing the effect of the code. Akerlof also shows that if there are more people who believe in the code than there are people who obey the code (there are people who believe in the code but do not obey it) then over time the number of believers will diminish.

Following Akerlof's model an individual's utility is based on four arguments and their personal tastes:

$$U = U(G, R, A, d^c, \epsilon) \quad (1)$$

G is a vector of individual consumption of goods and services

R is the individual's reputation among the community

A is a dummy variable showing the obedience to the code

d^c is a dummy variable showing the belief or nonbelief in the code

ϵ is the individual's tastes and preferences

Akerlof also shows that the individual's reputation function consists of, among other things, A (the individual's obedience to the code) and μ (which is the percentage of the population that believes in the code, so that the larger the percentage the larger effect noncompliance has on the reputation).

$$R = R(A, \mu) \quad (2)$$

The application of this model to the decision to cohabit is straightforward. When cohabitation involves loss of reputation, this reduction in utility may encourage more individuals to marry, rather than cohabit. However, as deviation from the code becomes more common, the utility costs from deviating (cohabiting) diminish, moving marginal individuals out of marriage and into cohabitation.

This research takes the implied step that consumption is also a function of individual obedience to the code as individual consumption can change based on the obedience to the code. This will have the biggest impact on individuals who cohabit in order to avoid aggressive creditors from having access to both partners' incomes.

$$G = G(A, \epsilon) \quad (3)$$

It also assumes that compliance is a function of tastes and preferences and belief in the code.

$$A = A(\mathrm{d}^{\mathrm{c}}, \epsilon) \quad (4)$$

As long as the increase in utility from the increase in consumption or the fulfillment of preferences as a result of noncompliance with the code is less than the decrease in utility from the loss of reputation as a result of that deviation, the individual will remain obedient to the code. However, when the utility from the increased consumption is greater than the disutility from the loss of reputation from deviation then that same individual will choose to break tradition and deviate from the code.

The cost of compliance to the marital code in a community property state is greater than or equal to the cost of compliance in a common property state depending on individual circumstances. The same individual who would choose to marry in a common law state may choose to cohabit in a community property state as long as the increased cost of compliance is greater than the loss from the decrease in reputation.

However consumption is not the only factor of the utility function that may hold couples back in a community property state. Some couples may prefer to maintain separate assets and do not wish to share their increase even with their partner. This preference for individual ownership, while it may or may not increase consumption, does impact the choice to comply with the code. Couples whose preference is to maintain separate asset pools may choose to cohabit

instead of marry and have the law give equal partnership to all assets to each spouse.

As long as the following holds a couple would cohabit in community property states but not in common law states:

$$U_c > U_{mCP} \quad (5)$$

$$U_c < U_{mCL} \quad (6)$$

U_c represents the utility of an individual if they chose to cohabit; all else equal, the utility of cohabiting in a common law state would be the same as the utility of cohabiting in a community property state. U_{mCP} is the utility of a not cohabiting and getting married in a community property state and U_{mCL} is the utility if they chose not to cohabit and get married in a common law state.

Using Akerlof's utility function and the additional cost of following the code in community property states, I hypothesize that community property law has caused some to avoid or postpone the effects of the law by deviating from the code and cohabiting with their partner instead of marrying them. I will test the hypothesis by measuring the likelihood to cohabit as opposed to marry in community property states compared with common law states.

2.5 Data

The US census added cohabitation on their 1990 survey. Much of the research on cohabitation has drawn on data from the National Survey of Families and Households (NSFH) that was developed and administered by the University of Wisconsin, and a few others have used the Current Population Survey (King et

al., 2010) conducted by the Bureau of the Census for the Bureau of Labor Statistics. The US Census recorded a 3.5% cohabitation rate among adults in 1990 and a 5% cohabitation rate in 2000. The CPS started allowing respondents to mark nonmarried partner as a choice in the question “how are you related to the head of household?” in 1995. The CPS shows that the cohabitation rate among adults rose from 2.9% in 1995 to 4.7% in 2005 (Stevenson & Wolfers, 2007).

Each of the data sets has its advantages and draw backs. The NSFH is a data set of 13,000 individuals with an oversample of cohabiters. The initial sample in 1987-88 had extensive interviews covering relationship, parental characteristics, and education history, along with other demographic and economic information. For questions about cohabiters and their attitudes towards relationships it is very rich. In the subsequent surveys in 1992-1994 and 2001-2003 they reinterviewed as many of the same individuals as they could, inquiring about the changes between the interview waves. However, this survey does not have participants in New Mexico and Nevada, two of the nine community property states. These two missing states could introduce a bias that would not be found in a data set that includes all 50 states. The National Survey of Families and Households is the most used due to the availability of individual relationship histories. This allows for event history analysis, survivor analysis as well as counting not only those who are currently cohabiting but also those who have cohabited in the past.

While survivor analysis and history analysis are powerful tools in research, the best model for comparing the various possible relationship statuses and their correlation with other variables is the multinomial logit model.

The data set used for this study is the Current Population Survey (CPS) March Demographic Supplement. The CPS was chosen because its cross sectional format allows for the use of the multinomial logit model allowing the comparison of cohabitation rates (and other relationship statuses rates) with marital rates and measurement of the difference in these comparisons between the two regimes, common law and community property. Furthermore the year after year format of the CPS allows for a look into the long term change in the various statuses. Finally assuming there is no difference in the average duration of cohabiting relationships between the two regimes then there would be no bias from using a cross sectional data set over a longitudinal data set. However the CPS has a few drawbacks: the largest is that it only captures a single point in time. There is no way to tell who may have cohabited prior to marriage or is currently single living alone after breaking up a cohabiting relationship.

Another drawback of the CPS is that the first year it captured cohabitation was in 1995. Prior to this inclusion the accepted estimation of cohabitation is known as POSSLQ (Partners of the Opposite Sex Sharing Living Quarters). This counted all households of 2, the head of household and a nonrelative of the opposite sex, age 15 or higher. Casper and Cohen (2000) came up with an adjusted POSLLQ that along with the existing POSLLQ included larger households as long as there was only one nonrelative adult of the opposite sex

of the nonmarried head of household, over the age of 15, living in the house. For this research I wanted to capture all potential cohabiters, even families with children of either partner over the age of 15. In order to do so I made the following assumptions to identify cohabiters:

- They had to be a nonrelative adult in the household
- They had to be the opposite sex from the head of the household
- And no other individual living in the household who meets the previous two conditions can be closer to the age of the head of household

The benefit of the CPS data set is that the assumed cohabiting variable could be tested against the actual responses for the years between 1995 and 2011. The results were 99% correct, with a 0.87% type 1 error (identifying someone as a cohabiter who was not) and 0.18% type 2 error (not identifying a cohabiter as a cohabiter). With 99% accuracy, for the purpose of this paper the variable is assumed to be accurate for the years from 1977 to 2011 (this imputation, rather than directly recorded cohabitation status, is used for the years from 1995 to 2011 as well as the years prior to 1995 in order to maintain consistency).

2.6 Variables

The cohabitation variable was then used along with the marital status variable from the CPS to construct a new marital status variable. The six states of the new marital status variable consist of the following:

- Single never married, which includes individuals who are not cohabiting and have never married
- Cohabiting never married
- Married, which includes all individuals who are married (it does not differentiate between those who are in their first or subsequent marriage).
- Separated
- Divorced single (those that are divorced who have not remarried and do not cohabit)
- Divorced cohabiting

The sample size for 2010 is 140,752 individuals. 25.22% lived in community property states. Of those in community property states 46.58% were single never married, 3.04% were cohabiting never married, 41.34% were married, 1.94% were separated, 5.61% were divorced living alone, and 1.48% were divorced cohabiting. In common law states 45.41% were single never married, 3.12% were cohabiting never married, 42.21% were married, 1.67% were separated, 5.97% were divorced living alone and 1.63% were divorced cohabiting (see Table 2.1).

The total sample size is 3,967,885 spread out over the years between 1977 and 2011. 23.87% of them lived in a community property state. This includes Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington and post 1988 Wisconsin (Wisconsin adopted the law in 1988).

2.7 Model

The model used to evaluate community property law and cohabitation was a multinomial logit model. The multinomial logit model[2] is used when the dependent variable has no natural order. The following formula is the most basic of multinomial logit models that is used for this research.

$$Y_{ki} = \beta_k x_i + u \quad (8)$$

where Y_{ki} is the propensity for individual i to be in state k=0,…,m where never married single is k=0, and never married cohabitating, married, separated, divorced single, and divorced cohabiting are k=1,..,5 respectively. Variable x_i is the residency status of individual i in a community property state, where x=1 if individual i currently resides in a community property state and x=0 if otherwise. $\beta_{cohabit}$ is the parameter of interest.

In order to evaluate the impact that community property law has on cohabitation, this model was run on the CPS data set for 2010. Returning a odds ratio of 0.994 and a probability of 0.8340 the conclusion was to accept the null hypothesis that community property law had no impact on cohabitation over marriage (see the first column of Table 2.2).

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[2] The original model included a fixed effects piece. This part of the model was dropped due to the colinearity of the community property variable and the fixed effects variables. The traditional way of getting around the colinearity is to run the regression without one of the variables causing colinearity. However, doing this gave the two states that were removed (one community property state and one common law state) a larger influence on the outcome. For example, when equation 1 was run including a dummy variable for each of the 51 states including DC (to obtain fixed effects) except for Nevada and Montana, which were removed to eliminate colinearity, for 2010 the resulting likelihood ratio was 1.668, indicating a 66.8% greater likelihood of cohabitation over marrying in community property states compared with common law states. Running the same model with Idaho and Montana removed; the resulting likelihood variable was 0.589, or a 41.1% lower likelihood of cohabitation in community property states. The lack of consistency from the fixed effects model and the resulting denial of the null when it should have been accepted led to the abandonment of that portion of the model.

In order to check the consistency of those results over the last 34 years the model was run again using a larger CPS data set including all the data from the years between 1977 and 2011. However the results of the second regression contradicted those of the first. According to the results from the large multiyear CPS data set, the likelihood of individuals to cohabit rather than marry was 21.4% larger in community property states versus common law states (returning a likelihood ratio of 1.214 with a probability of 0.0000 as seen in the 2nd column of Table 2.2), allowing for the rejection of the null hypothesis.

In order to account for the discrepancy between the two results another model was run that included a time series component (t=1 for year1977) as follows.

$$Y_{kit} = \beta_{k1} x_i + \gamma_k t + \beta_{k2} x_i \cdot t + \mu \quad (9)$$

The additional parameter γ_k represented the trend of the change in k compared with marriage for common law states. β_{k1} indicates the starting point or the 1977 projected difference in k between community property states and common law states. This study concentrates on k=cohabitation and $\beta_{cohabit1}$is the projected difference in cohabitation compared with marriage between community property states and common law states at time=1 or year=1977. $\gamma_{cohabit}$ is the projected yearly change in cohabitation compared with marriage for common law states. The third parameter $\beta_{cohabit2}$ was constructed to explain the discrepancy between the 2010 results and the results from the multiyear data set. $\beta_{cohabit2}$ is the projected yearly change in the difference in cohabitation

compared with marriage between community property states and noncommunity property states.

The results indicated that individuals in community property states started out as nearly 50% more likely than their counterparts in common law states to cohabit compared to marry (with a likelihood ratio (LR) of 1.499, $p < .001$[3]). However since the initial start the overall likelihood of choosing cohabitation over marriage for the common law states has been increasing by 5.70% (LR of 1.0570 and P of 0.000) per year and the difference in the likelihood to cohabit compared with marry between community property states and noncommunity property states has been decreasing by 1.2% per year (LR of 0.988 and P of 0.000). The decreasing trend is what was behind the difference between having no significant impact in 2010 and having a large significant impact for the entire 34-year data set.

A regression similar to the one run for 2010 was run for each of the 34 years as a way to test if period trends in the effect of state law are linear. The trend line for $\beta_{cohabit}$(from equation 8), as displayed on Figure 2.1, shows that the downward change in difference in cohabitation between community property states and common law states is similar to the result from the time series regression.

As a way to account for any spuriousness between community property law and the cohabitation rates, multiple demographic variables were introduced into the model as control variables. These variables include age, race, education, income (both individual and state median) and presence of own children in the

[3] With the large data set nearly all p values are significant at the .001 level.

household. In an attempt to isolate the impact that different generations, or different positions in the lifecycle, have and their attitude towards cohabitation, age was divided into multiple dummy variables, one for each decade cohort (20-29, 30-39, 40-49, 50-59, 60-69, +70). The omitted variable for age was all adults younger than 20. This showed a much smaller impact from the other variables on single never married due to a higher percentage of individuals in that age range being single never married than in any other age range. In similar fashion the race variable was separated into three categories, White, Black, and other. The omitted variable for race was all races other than Black and White. Education was also coded using various dummy variables representing each level of education available including less then high school diploma, high school diploma, some college, bachelor's, master's, and doctorate. The omitted variable in education was individuals who had not obtained a high school diploma. Personal income was introduced as a way to control for any income effect on the cohabitation rate, and the state median income was introduced as a way to reduce the effect of individual state economic factors on the cohabitation rate. Following general practices, the natural log of the personal income and state median income was used. Finally, presence of own children in the household was used to take into account children as a motive to cohabitate or not cohabitate. The following equation was used to add these additional controls.

$$Y_{kit} = \beta_{k1} x_{kit} + \gamma_k t + \beta_{k2} x_{kit} \cdot t + \beta_{k3} z_{kit} + \mu \qquad (10)$$

where all variables are identical to equation 2 except for the addition of β_{k3}

andz_{kit}. β_{k3} is a vector of coefficients representing each of the control variables and z_{kit} is a vector of those control variables.

Nested models were used to measure the impact that each of these control variables had, starting with the basic model as described above in equation 2 in column (A) of Table 2.2, followed by the addition of age and race in column (B), then expanding the model with education (C), then again with the natural log of personal income and state median income (D) and then again with the presence of own children dummy (E).

2.8 Results

Without the additional controls (column (A) From Table 2.2) cohabitation compared with marriage in common law states is shown to increase by 5.7% each year and the difference between common law states and community property states decreased by 1.2% each year starting at a 50.0% difference at year 0 (1977). With the addition of the controls the increase of cohabitation over marriage in common law states ranged between 2% in column (D) and 7.4% in column (B) year over year and the difference in cohabitation over marriage in community property states over common law states decreased between 1.1% per year in column (B) and .9% per year in column (D) starting at 40.4% in 1977.

According to the results on Table 2.3 community property law not only has an effect on cohabitation, but it is also associated with between 9.7% and 21% greater likelihood of an individual being separated. It is associated with between 33.9% and 38.0% higher likelihood of being divorced single and finally from

58.0% to 65.6% greater likelihood to be divorced cohabiting. The increase in likelihood of being divorced single or divorced cohabiting could be due to the propensity of individuals to cohabitate at a greater rate in community property states. Or it could be due to a drop in desire to jump back into marriage after a divorce in a community property state(remarriage would decrease the total number of individuals who show up as divorced single and/or divorced cohabiting). However, the difference in the rate between community property states and common law states is decreasing over time for both divorced single and divorced cohabiting.

Single cohabiting and divorced cohabiting could arguably be combined in order to get a better grasp on the increase in the overall difference in the cohabitation rate between the two regimes. These two separate variables could be creating an irrelevant alternative bias. Irrelevant alternative biases exist in multinomial logit models when two states are similar enough that they could be considered in the same state but are evaluated in separate states. For example in a study looking at travel choices with the following statuses car, red bus, blue bus, subway, individuals who choose to ride the bus would not necessarily differentiate between the red bus and the blue bus they could be considered perfect substitutes.. Running a multinomial logit regression that included both the red bus and the blue bus separately reduces the bus coefficient creating a bias. In this study never married cohabiting and divorced cohabiting could be argued to be similar to the red bus and the blue bus in the example. Hausman designed a test that among other things tested if the two statuses can be considered

perfect or close to perfect substitutes and can be combined to get a more accurate representation of reality. However, the Hausman test showed that the two are not perfect substitutes (χ^2=1670) validating the use of the two relationship statuses separately. This result confirms that one would not choose between cohabiting as a single and cohabiting as a divorced individual as you would between a red and blue bus and the inclusion of the two separate statuses does not change the coefficients for the other statuses.

This shows that while deviation from the societal relationship code in general was greater in community property states, the difference between the two regimes diminished over time as the impact on the reputation of the deviant lessened.

The effect of community property law is greatest for the incidence of "divorced-cohabiting" status. Those that have been through a divorce in a community property state know firsthand the impact of the law on division of property. The strength of the coefficient for divorced cohabiting shows that those that know the impact are more likely to choose cohabitation over marriage, by 7% (1.603/1.499= 1.069) relative to those who have never been married.

2.9 Ages 25 to 39

The above results are showing the entire adult population. Another look at household formation behavior can be had by looking at the age group that is more likely to be starting to form their first household. The subsample of individuals between the ages of 25 and 39 are forming their first households and

making decisions that are closer to permanent than those of younger and older cohorts. To further refine the analysis, I analyze only those who are either single never married, cohabiting never married, or married.

The initial difference between the cohabitation rates of the two regimes is even larger than in the previous results. Community property states start out with a 54% higher cohabitation rate than their common law counterparts. The results also confirm the convergence of the cohabitation rates between the two regimes. Over the 3 decades from 1977 to 2011 the cohabitation rates of the two types of states has been converging by roughly 1.2% per year by this age group.

Column (A) in Table 2.4 (Table 2.5 for full results) contains the results of the model without any control variables. Column (B) shows those same coefficients with one control variable representing the portion of the group whose ages fall between the ages of 25 and 29, with the base group being those who are in their thirties. Column (C) is the same model as column (B) with the addition of two dummy variables, White and Black, each representing the individual's primary race. The base group is all other races. Column (D) contains all previous variables along with four other dummy variables representing the highest level of education completed: high school, some college, bachelor's, and graduate, with the base group being those who did not finish high school. Finally (E) includes all previous variables with the addition of the natural log of the family income.

2.10 Conclusion

Based on the above results we can reject the null hypothesis and accept the hypothesis that the existence of the community property law increased the likelihood of cohabitation compared with marriage, at least in the years between 1977 and 2006. However, the likelihood to cohabit compared to marry in the two regimes slowly converged to the point where there is no longer a difference in cohabitation versus marriage between community property states and common law states.

Bumpass and Sweet (1989) said:

> Unmarried couples living together once faced strong social disapproval, in no small part because their living arrangements flaunted their sexual intimacy. That issue has become largely irrelevant now that sexual relationships are common regardless of living arrangements. (p. 616)

As the decrease in utility from the loss of reputation due to cohabiting diminished, the impact that community property law had on cohabitation disappeared.

In Akerlof's model of social custom, the disutility of deviating from a norm declines as the share of the population honoring the norm diminishes. In the 1970s the rise in divorce could have started this process (this paper does not verify this correlation); the large number who deviated from the marital code by divorcing could have diminished the belief in the marital code for the next generation, who continued to deviate from the code by cohabiting. Deviation from the code no longer affects an individual's reputation, or at least affects their reputation less than the utility gained by deviating in a community property state over a common law state.

As the belief in the traditional marital code diminished so did the impact community property law had on deviation.

Table 2.1 Demographical Comparison Between the Two Regimes

	1977		1977-2011		2010	
	Common Law States	Community Property States	Common Law States	Community Property States	Common Law States	Community Property States
Marital Status						
never married single	19%	18%	21%	20%	22%	23%
never married cohab	1%	1%	3%	3%	4%	4%
married	73%	72%	65%	64%	60%	60%
seperated	3%	3%	2%	3%	2%	3%
divorced single	5%	6%	7%	8%	9%	8%
divorced cohabiting	0%	1%	2%	2%	2%	2%
Race						
White	89%	90%	84%	86%	78%	80%
Black	9%	7%	11%	7%	13%	8%
other races	2%	3%	5%	8%	8%	12%
Education						
less than high school	69%	62%	35%	36%	13%	19%
high school	3%	5%	21%	19%	32%	27%
some college	15%	19%	23%	25%	28%	29%
bachelor's	10%	11%	14%	14%	18%	17%
graduate degree	3%	4%	7%	6%	10%	8%

Table 2.2 Multinomial Logit Models

	2010	1977-2011	(A)	(B)	(C)	(D)	(E)
Community Property	0.994 (0.834)	1.214 (0.000)	1.499 (0.000)	1.355 (0.000)	1.351 (0.000)	1.381 (0.000)	1.435 (0.000)
Survey Year			1.057 (0.000)	1.074 (0.000)	1.073 (0.000)	1.020 (0.000)	1.036 (0.000)
Year x Community Property			0.988 (0.000)	0.989 (0.000)	0.989 (0.000)	0.991 (0.000)	0.990 (0.000)
Other Controls	no	no	no	Age, Race	+ Education	+ Income	+ Children

Coefficients are risk ratios, where 1 is no effect and greater than 1 is a positive effect and less than 1 is a negative effect. The number in parenthesis is the probability of a type 1 error. Each model had a statistically significant chi^2 test result at a 0.001. These results are a snap shot of cohabitation compared to marriage, to see the full results see Table 2.5

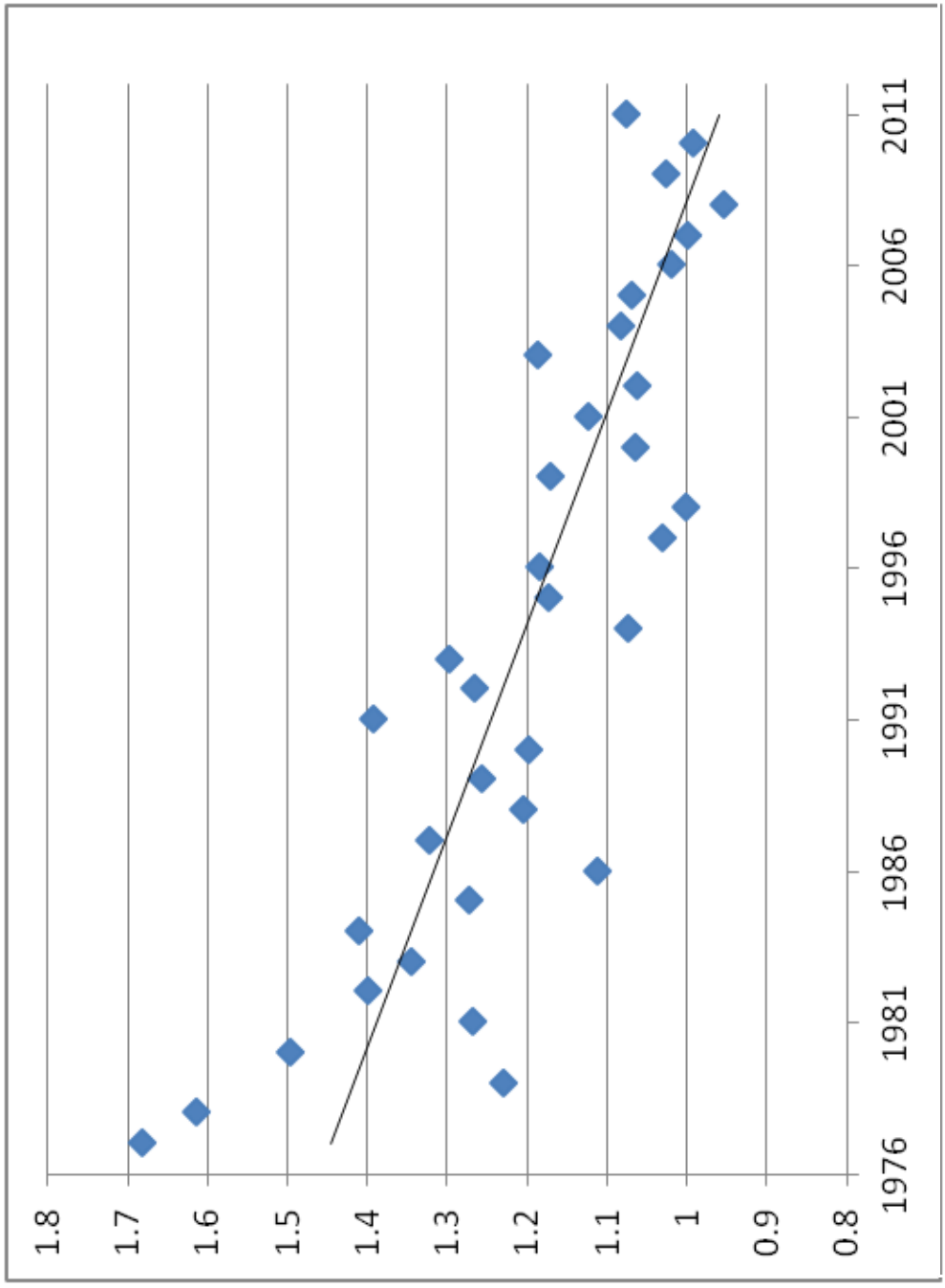

Figure 2.1 Effect of Community Property Law on Relative Odds of Cohabitation, by Year
The multinomial logit model was run for each year individually and the results for the coefficient for the community property variable in the single cohabiting results were plotted above.

Table 2.3 Multinomial Logit Model Full Results

	{A}				
	Single Never Married	Cohabit Never Married	Seperated	Divorce Single	Divorce Cohabit
Community Property	0.970 (0.000)	1.499 (0.000)	1.097 (0.000)	1.339 (0.000)	1.603 (0.000)
Survey Year	1.010 (0.000)	1.057 (0.000)	1.002 (0.000)	1.025 (0.000)	1.051 (0.000)
Year x Community	1.002 (0.000)	0.988 (0.000)	1.001 (0.027)	0.990 (0.000)	0.984 (0.000)

Table 2.3 (Continued)

	{B}				
	Single Never Married	Cohabit Never Married	Seperated	Divorce Single	Divorce Cohabit
Community Property	0.880 (0.000)	1.355 (0.000)	1.124 (0.000)	1.380 (0.000)	1.580 (0.000)
Survey Year	1.026 (0.000)	1.074 (0.000)	1.002 (0.000)	1.023 (0.000)	1.051 (0.000)
Year x Community	1.004 (0.000)	0.989 (0.000)	1.004 (0.000)	0.990 (0.000)	0.984 (0.000)
Age					
20s	0.075 (0.000)	0.551 (0.000)	0.678 (0.000)	1.758 (0.000)	4.205 (0.000)
30s	0.012 (0.000)	0.110 (0.000)	0.531 (0.000)	2.397 (0.000)	5.182 (0.000)
40s	0.006 (0.000)	0.036 (0.000)	0.477 (0.000)	3.025 (0.000)	4.735 (0.000)
50s	0.005 (0.000)	0.017 (0.000)	0.400 (0.000)	3.163 (0.000)	3.795 (0.000)
60s	0.005 (0.000)	0.009 (0.000)	0.306 (0.000)	2.770 (0.000)	2.151 (0.000)
70+	0.006 (0.000)	0.007 (0.000)	0.233 (0.000)	2.163 (0.000)	0.992 (0.945)
Race					
White	0.708 (0.000)	0.864 (0.000)	0.854 (0.000)	1.164 (0.000)	1.230 (0.000)
Black	2.225 (0.000)	2.110 (0.000)	4.978 (0.000)	2.460 (0.000)	1.545 (0.000)

Table 2.3 (Continued)

	{C}				
	Single Never Married	Cohabit Never Married	Seperated	Divorce Single	Divorce Cohabit
Community Property	0.867 (0.000)	1.351 (0.000)	1.164 (0.000)	1.368 (0.000)	1.584 (0.000)
Survey Year	1.022 (0.000)	1.073 (0.000)	1.014 (0.000)	1.022 (0.000)	1.051 (0.000)
Year x Community	1.005 (0.000)	0.989 (0.000)	1.001 (0.036)	0.991 (0.000)	0.984 (0.000)
Age					
20s	0.069 (0.000)	0.569 (0.000)	0.801 (0.000)	1.775 (0.000)	4.625 (0.000)
30s	0.011 (0.000)	0.115 (0.000)	0.659 (0.000)	2.504 (0.000)	6.052 (0.000)
40s	0.006 (0.000)	0.037 (0.000)	0.581 (0.000)	3.163 (0.000)	5.504 (0.000)
50s	0.005 (0.000)	0.018 (0.000)	0.468 (0.000)	3.314 (0.000)	4.382 (0.000)
60s	0.004 (0.000)	0.010 (0.000)	0.337 (0.000)	2.896 (0.000)	2.414 (0.000)
70+	0.006 (0.000)	0.008 (0.000)	0.244 (0.000)	2.261 (0.000)	1.087 (0.494)
Race					
White	0.710 (0.000)	0.851 (0.000)	0.823 (0.000)	1.137 (0.000)	1.171 (0.000)
Black	2.286 (0.000)	2.060 (0.000)	4.413 (0.000)	2.362 (0.000)	1.391 (0.000)
High school	0.897 (0.000)	1.379 (0.000)	2.213 (0.000)	1.402 (0.000)	2.555 (0.000)
Some College	1.140 (0.000)	1.189 (0.000)	1.912 (0.000)	1.597 (0.000)	2.191 (0.000)
Bachelor's	0.974 (0.000)	1.160 (0.000)	1.105 (0.000)	1.028 (0.003)	1.115 (0.000)

Table 2.3 (Continued)

	{D}				
	Single Never Married	Cohabit Never Married	Seperated	Divorce Single	Divorce Cohabit
Community Property	0.927 (0.000)	1.404 (0.000)	1.219 (0.000)	1.374 (0.000)	1.656 (0.000)
Survey Year	1.029 (0.000)	1.073 (0.000)	1.018 (0.000)	1.016 (0.000)	1.047 (0.000)
Year x Community	1.004 (0.000)	0.989 (0.000)	1.000 (0.920)	0.991 (0.000)	0.983 (0.000)
Age					
20s	0.083 (0.000)	0.464 (0.000)	0.909 (0.034)	1.871 (0.000)	4.119 (0.000)
30s	0.014 (0.000)	0.089 (0.000)	0.792 (0.000)	2.651 (0.000)	5.351 (0.000)
40s	0.007 (0.000)	0.027 (0.000)	0.696 (0.000)	3.284 (0.000)	4.672 (0.000)
50s	0.006 (0.000)	0.012 (0.000)	0.552 (0.000)	3.419 (0.000)	3.754 (0.000)
60s	0.006 (0.000)	0.008 (0.000)	0.423 (0.000)	3.305 (0.000)	2.454 (0.000)
70+	0.008 (0.000)	0.010 (0.000)	0.337 (0.000)	2.817 (0.000)	1.460 (0.018)
Race					
White	0.746 (0.000)	0.853 (0.000)	0.875 (0.000)	1.182 (0.000)	1.203 (0.000)
Black	2.019 (0.000)	1.846 (0.000)	4.045 (0.000)	2.192 (0.000)	1.316 (0.000)
High school	1.239 (0.000)	1.174 (0.000)	0.794 (0.000)	1.162 (0.000)	1.247 (0.000)
Some College	1.495 (0.000)	1.024 (0.021)	0.694 (0.000)	1.293 (0.000)	1.044 (0.001)
Bachelor's	1.543 (0.000)	1.020 (0.092)	0.438 (0.000)	0.847 (0.000)	0.541 (0.000)
Income					
Log Personal Income	0.802 (0.000)	0.946 (0.000)	0.852 (0.000)	0.979 (0.000)	0.983 (0.000)

Table 2.3 (Continued)

	{E}				
	Single Never Married	Cohabit Never Married	Seperated	Divorce Single	Divorce Cohabit
Community Property	0.9345 (0.000)	1.3811 (0.000)	1.225367 (0.000)	1.2686 (0.000)	1.6036 (0.000)
Survey Year	0.9924 (0.000)	1.0204 (0.000)	1.00298 (0.009)	1.008 (0.000)	1.0132 (0.000)
Year x Community	1.0056 (0.000)	0.9911 (0.000)	1.000202 (0.820)	0.9947 (0.000)	0.9846 (0.000)
Age					
20s	0.0732 (0.000)	0.4202 (0.000)	0.81448 (0.000)	1.6328 (0.000)	3.8945 (0.000)
30s	0.0122 (0.000)	0.082 (0.000)	0.714527 (0.000)	2.3757 (0.000)	5.0671 (0.000)
40s	0.0061 (0.000)	0.0276 (0.000)	0.629963 (0.000)	3.0349 (0.000)	4.5209 (0.000)
50s	0.0045 (0.000)	0.0167 (0.000)	0.493487 (0.000)	3.1962 (0.000)	3.6644 (0.000)
60s	0.0044 (0.000)	0.0158 (0.000)	0.372264 (0.000)	3.1027 (0.000)	2.3847 (0.000)
70+	0.0061 (0.000)	0.0274 (0.000)	0.302037 (0.000)	2.6701 (0.000)	1.4253 (0.037)
Race					
White	0.7679 (0.000)	0.8873 (0.000)	0.892008 (0.000)	1.1685 (0.000)	1.229 (0.000)
Black	2.3237 (0.000)	2.0705 (0.000)	4.04319 (0.000)	2.223 (0.000)	1.3851 (0.000)
High school	1.2147 (0.000)	1.1382 (0.000)	0.800177 (0.000)	1.1954 (0.000)	1.2625 (0.000)
Some College	1.4457 (0.000)	0.9794 (0.044)	0.689779 (0.000)	1.3208 (0.000)	1.0441 (0.001)
Bachelor's	1.5043 (0.000)	0.9546 (0.000)	0.432866 (0.000)	0.8671 (0.000)	0.5421 (0.000)
Other					
Log Personal Income	0.8026 (0.000)	0.931 (0.000)	0.856136 (0.000)	0.9789 (0.000)	0.9712 (0.000)
Log State Median Family Income	2.3569 (0.000)	3.0743 (0.000)	1.328556 (0.000)	0.974 (0.082)	1.7804 (0.000)

Table 2.3 (Continued)

	{F}				
	Single Never Married	Cohabit Never Married	Seperated	Divorce Single	Divorce Cohabit
Community Property	0.9632	1.4351	1.224723	1.2571	1.5983
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Survey Year	1.0091	1.0358	1.007069	1.011	1.0202
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Year x Community	1.0048	0.9899	1.000391	0.9951	0.9849
	(0.000)	(0.000)	(0.662)	(0.000)	(0.000)
Age					
20s	0.1375	0.7473	1.079011	2.2159	6.2053
	(0.000)	(0.000)	(0.141)	(0.000)	(0.000)
30s	0.0448	0.2611	1.243645	4.2943	12.885
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
40s	0.0193	0.0768	1.048475	5.2695	10.399
	(0.000)	(0.000)	(0.360)	(0.000)	(0.000)
50s	0.0064	0.0221	0.579183	3.7956	4.555
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
60s	0.0041	0.0141	0.347745	2.8735	2.1137
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
70+	0.005	0.0216	0.258885	2.2681	1.1358
	(0.000)	(0.000)	(0.000)	(0.000)	(0.453)
Race					
White	0.7913	0.9272	0.876759	1.1346	1.2209
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Black	3.2265	2.7634	4.315372	2.3804	1.5935
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
High school	1.0519	1.0022	0.758154	1.13	1.1504
	(0.000)	(0.842)	(0.000)	(0.000)	(0.000)
Some College	1.1791	0.822	0.652519	1.255	0.9648
	(0.000)	(0.000)	(0.000)	(0.000)	(0.007)
Bachelor's	1.0141	0.664	0.391176	0.7942	0.4609
	(0.039)	(0.000)	(0.000)	(0.000)	(0.000)
Other					
Log Personal Income	0.7729	0.9151	0.85198	0.9759	0.9609
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Log State Median Family Income	2.1882	2.8921	1.31442	0.9829	1.8006
	(0.000)	(0.000)	(0.000)	(0.263)	(0.000)
Own Children in Household	0.0357	0.0646	0.325311	0.2982	0.1295
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)

Table 2.4 Multinomial Logit Model for Ages 25 to 39

Variables	(A)	(B)	(C)	(D)	(E)	(F)
Community Property Law	1.5477 (0.0274)	1.5320 (0.0272)	1.5482 (0.0275)	1.5440 (0.0275)	1.5206 (0.0330)	1.6372 (0.0377)
Time	1.0603 (0.0004)	1.0640 (0.0004)	1.0637 (0.0004)	1.0627 (0.0004)	1.0138 (0.0011)	1.0376 (0.0012)
Community Property Law x Time	0.9832 (0.0007)	0.9830 (0.0007)	0.9836 (0.0007)	0.9832 (0.0007)	0.9862 (0.0009)	0.9822 (0.0010)
controls		+ age	+ race	+ education	+ income	+ Children

Numbers in parenthesis are the standard error. Time is measured in years where 1977=1. Community property law x Time is the two variables multiplied by each other. Column {A} is the model without any control variables. Column {B} adds one dummy variable for individuals in their 20s. Column {C} adds two dummy variables, one for White and one for Black races along with the control from {B}. Column {D} adds four education variables on top of all variables from {C}. Likewise column {E} adds the natural log of family income on top of all of the previous variables.

Table 2.5 Multinomial Logit Model for Ages 25 to 39 Full Results

	(A)		(B)		(C)	
Variables	Cohabiting vs Marriage	Single never Married vs Marriage	Cohabiting vs Marriage	Single never Married vs Marriage	Cohabiting vs Marriage	Single never Married vs Marriage
Community Property Law	1.5477 (0.0274)	1.0210 (0.0099)	1.5320 (0.0272)	1.0097 (0.0099)	1.5482 (0.0275)	1.0354 (0.0103)
Time	1.0603 (0.0004)	1.0267 (0.0002)	1.0640 (0.0004)	1.0317 (0.0002)	1.0637 (0.0004)	1.0297 (0.0002)
Community Property Law x Time	0.9832 (0.0007)	0.9982 (0.0004)	0.9830 (0.0007)	0.9978 (0.0005)	0.9836 (0.0007)	0.9991 (0.0005)
20s			2.3061 (0.0167)	2.9760 (0.0135)	2.3166 (0.0168)	3.0103 (0.0138)
White					0.9959 (0.0147)	0.6433 (0.0058)
Black					1.7597 (0.0318)	2.2225 (0.0236)

Numbers in parenthesis are the standard errors. Time is measured in years where 1977=1. Community Property Law x Time is the two variables multiplied together.

Table 2.5 (continued)

	(D)		(E)		(F)	
Variables	Cohabiting vs Marriage	Single never Married vs Marriage	Cohabiting vs Marriage	Single never Married vs Marriage	Cohabiting vs Marriage	Single never Married vs Marriage
Community Property Law	1.5440 (0.0275)	1.0324 (0.0103)	1.5206 (0.0330)	1.0174 (0.0136)	1.6372 (0.0377)	1.0920 (0.0173)
Time	1.0627 (0.0004)	1.0264 (0.0003)	1.0138 (0.0011)	0.9868 (0.0007)	1.0376 (0.0012)	1.0142 (0.0009)
Community Property Law x Time	0.9832 (0.0007)	1.0002 (0.0005)	0.9862 (0.0009)	1.0039 (0.0006)	0.9822 (0.0010)	0.9998 (0.0007)
20s	2.2885 (0.0167)	3.0362 (0.0140)	2.4010 (0.0192)	3.1987 (0.0171)	1.4711 (0.0128)	1.7718 (0.0115)
White	0.9595 (0.0142)	0.6604 (0.0060)	0.9914 (0.0165)	0.6981 (0.0073)	1.1289 (0.0202)	0.8005 (0.0102)
Black	1.6435 (0.0298)	2.3655 (0.0253)	1.6218 (0.0331)	2.2197 (0.0280)	2.5412 (0.0560)	3.8433 (0.0611)
High School	1.1895 (0.0130)	1.1652 (0.0087)	1.1943 (0.0146)	1.2191 (0.0108)	1.1144 (0.0147)	1.1200 (0.0120)
Some College	0.9987 (0.0104)	1.1336 (0.0075)	0.9945 (0.0116)	1.2337 (0.0097)	0.8568 (0.0107)	1.0255 (0.0097)
Bachelor's	0.8172 (0.0095)	1.4381 (0.0097)	0.8304 (0.0108)	1.6250 (0.0132)	0.5049 (0.0070)	0.8972 (0.0087)
Graduate	0.6924 (0.0121)	1.4214 (0.0136)	0.6741 (0.0128)	1.5981 (0.0175)	0.3906 (0.0078)	0.8241 (0.0106)
Family Income			0.9675 (0.0038)	0.9042 (0.0023)	0.9169 (0.0040)	0.8342 (0.0027)
State Mean Income			2.5848 (0.0685)	2.3549 (0.0411)	1.9751 (0.0562)	1.7019 (0.0358)
Presence of own children					0.0706 (0.0007)	0.0329 (0.0003)

Numbers in parenthesis are the standard errors. Time is measured in years where 1977=1. Community Property Law x Time is the two variables multiplied together.

CHAPTER 3

COMMUNITY PROPERTY AND COHABITATION

THE WISCONSIN EXPERIMENT

3.1 Introduction

Between the mid 1960s and the mid 1970s, divorce rates doubled and continued to climb until they peaked in 1979 at 22.8 divorces per 1,000 married couples (Stevenson & Wolfers, 2007). At the same time divorce laws changed drastically. In the 1970s and 80s, states across the US adopted unilateral divorce law along with no fault divorce laws (Parkman, 1992).

Unilateral divorce law allowed either spouse to file for divorce without the other's consent. No fault divorce laws allowed divorces without the presence of fault or reason other than that a divorce was desired. These two laws reduced the bargaining power of the individual who did not want the divorce.

In 1979 as a response to the growing trend in divorce and the drastic changes in divorce laws, the National Conference of Commissioners on Uniform State Laws created a committee to collaborate and propose a Uniform Marital Property Act (UMPA) (Cantwell, 1985). UMPA proposed that each spouse in a marriage would be an equal partner in the ownership of the assets, income and

debt. However UMPA left the division of assets upon dissolution of marriage up to the legislative body that adopted it.

Wisconsin was the only state to adopt a version of UMPA. However Wisconsin took the proposed marital partnership in everything and extended it through dissolution. They effectively adopted community property law along with the guidelines put forth by UMPA (Forte, 1996) , as such Wisconsin is the only state to go permanently from being a common law state to being a community property state.

3.2 Community Property Law

Community property law gives both spouses an equal vested interest in the community property. Thus, other than gifts, inheritance, or bequests, all property gained while married either by the husband or wife is jointly the property of the couple and each spouse is equally vested in it with one half interest. According to Hancock (1948), the rights of the wife are greater in community property law compared with common law, in that she has an equal defined right to the property instead of just an expected right to it.

Community property law carries a few implications that may reduce the drive to enter into a matrimonial contract. First, the idea that all increase during marriage will be equally owned by both spouses regardless of the original source, and in the case of dissolution will be equally split between the two spouses, may cause an individual who is contemplating marriage to hesitate and possibly choose cohabitation over marriage. Even if cohabitation is not

intentionally chosen as a response to these concerns, it may arise “naturally” as a function of the delay of marriage (Manning & Smock, 2005).

The other effect of community property law is that as soon as a couple marries the debt of both spouses becomes community debt. The creditors of one spouse can go after the income and assets of the other spouse in order to satisfy the debt (Carroll, 2007). This increased liability could motivate some couples to choose cohabitation over marriage in order to protect an income source from aggressive creditors.

One other potential drawback of community property law comes from tastes and preferences. Some couples will have preference to maintain individual ownership of income and assets, giving each person in the marriage control over what they bring into the marriage. Community property law would lower the utility of these individuals, and, depending on their belief system, they may see cohabitation as an equal institution with a greater amount of individual control and choose cohabitation due to the higher level of utility.

Those that cohabit can avoid or postpone the implications of the law for as long as they do not enter into a marital contract. My hypothesis is that the existence of the community property law increases the rate of cohabitation among adults who have never married.

3.3 Experiment

Wisconsin is unique among the community property states; all of the other states had the law on the books since their inception. California, Arizona,

Nevada, Texas, Louisiana, and New Mexico had many prominent citizens that were practicing the law and felt that any property acquired during marriage belongs equally to both husband and wife. When their state constitution was established community property law was made official. Other states like Washington and Idaho adopted the law upon inception (Seed, 1995). However Wisconsin adopted the law in the late 1980s.

Wisconsin's late adoption provides a unique opportunity to view the impact that community property law has on the cohabitation rate. By viewing the change in the percentage of adults in cohabiting relationships from before the adoption of the community property law to after and comparing it with the change in similar states over the same time period we can test the hypothesis that community property law does have an impact on cohabitation.

It could be argued that it was the Wisconsin culture that was the source of the change in the cohabitation rate and the change in the law simultaneously. However, by looking at the change in Wisconsin over time we can draw a stronger conclusion of the impact of the law by holding culture constant.

The change in Wisconsin's marital property law creates a "natural experiment" that allows us to more closely examine causal relationships between the law and cohabitation behavior. Natural experiments like this one have been used by many economists and other social scientists to evaluate public policy. Card and Krueger (1994) used a minimum wage change in New Jersey to view the impact on employment in the fast food industry. Acemoglu et al. (2004) used a "quasi natural experiment" to compare institutions evaluating the effect they

have on economic development, by comparing the economic growth of North and South Korea and later comparing the success of European colonies. Natural experiments provide an ideal way to look at the effectiveness of public policy and any unintended side effects. The adoption of community property law by Wisconsin provides an opportunity to see what impact community property law has on multiple fronts including cohabitation.

In order to evaluate this natural experiment, Wisconsin was compared with other states. The first comparison was made with states in the Midwest region. These included Iowa, Minnesota, Michigan, Indiana, Kansas, Nebraska and Kentucky. The second comparison was made with states that had similar demographics prior to the change. These demographics included racial composition, age mix, income levels, and similar rates of cohabitation and marriage. In order to find a sufficient number of comparable states to use in the sample, the demography of each common law state was compared with Wisconsin. The states were ranked for each of the above demographic categories and 10 states, the 5 states that ranked above and the 5 states that ranked below Wisconsin in each category, were flagged. The 7 states that were flagged the most were used as the comparison states. These included Colorado, Minnesota, Nebraska, Georgia, Wyoming, Massachusetts and Kansas.

3.4 Data

The Current Population Survey (CPS) and the National Survey of Families and Households (NSFH) are two data sets that are used frequently in research

on cohabitation. They both have captured cohabitation as a response variable. The Current Population Survey is run by the Census Bureau and surveys approximately 50,000 households monthly in a cross sectional survey. The National Survey of Families and Households is a longitudinal data set that initially surveyed 13,007 individuals in 9,637 households in 1987.

Each data set has shortcomings. The National Survey of Families and Households does not contain sufficient information for each individual year after 1988 (the year Wisconsin adopted the law). It does have subsequent surveys of the original respondents in 1993. It also neglects to include data on generations entering into adulthood after 1988 unless their parents were part of the initial sample. The NSFH also has an oversampling of cohabiting couples that does not allow for finding a percentage of the overall population that is cohabiting. While the oversampling would give us good insight into the lives of cohabiting individuals the limitation of years and population makes the CPS an ideal choice for the research.

3.5 Variables

However, the shortcoming of the CPS is that prior to 1995 it did not distinguish between roommate and cohabiter, and prior to 1988 all nonrelative individuals were in one classification, with no distinction between cohabiter, roommate, foster child, boarder or other nonrelative. In 1988, codes for partner/roommate, foster child and other nonrelative were added. Finally in 1995 the nonrelative cohabiter group was split it into five categories: unmarried

partner, housemate/roommate, roomer/boarder/lodger, foster child and other nonrelative. To identify cohabitation in a consistent way, I classify a household as containing cohabiters if

- There was a nonrelative adult in the household
- That individual was the opposite sex from the head of the household
- And no other individual living in the household who meets the previous two conditions was closer to the age of the head of household

Following these assumptions a modified POSSLQ (Casper & Cohen, 2000) variable was constructed. The assumed cohabiter variable was then compared with the unmarried partner response in the CPS between the years of 1995 and 2011. The variable was 98.95% accurate with a 0.87% type 1 error and a 0.18% type 2 error. These errors may be causing a bias in the results but in that there is currently no known way of more accurately capturing the cohabitation rate from the CPS prior to 1995 the study will assume the cohabitation variable to be accurate. The cohabitation variable does not differentiate between divorced cohabiters and never married cohabiters; it captures all cohabiters as one group.[4] To avoid comparing individuals who are cohabiting with other individuals who are cohabiting and to capture the impact the law has on the choice to cohabit, the study treats all cohabiting adults the same without differentiating between single never married cohabiters and divorced cohabiters.

[4] Chapter 2 separates the cohabiters into two different categories, those that have never been married and those who are divorced. The multinomial logit model allows for this distinction. However, the difference in difference model in this chapter with cohabitation as the dependant variable works better if the two groups are aggregated.

The other variables that were taken into account were age, race, education and household income. Observations were split into cohorts of age by decade with a dummy variable for each decade. Likewise, race was split into three dummy variables, White, Black and Other. Admittedly, the ”Other“ race variable is overly simple, but for these purposes it is assumed that splitting race into three categories will sufficiently remove any bias caused by a larger concentration of one race in one state over another. The CPS shows that 4.51% of Whites are currently in a cohabiting relationship compared with 5.62% of Blacks (see Table 3.1).

Education was created as multiple dummy variables for each level of education starting with less than high school diploma, high school diploma or GED, some college, bachelor’s, and graduate level degree. The CPS shows that 6.5% of adults who ended their education with their high school diploma are currently cohabiting compared with 3% of individuals with graduate degrees (see Table 3.1).

Finally average family income was included in each state. 6.5% of the households who have a family income of less than half the average household income are lead by a cohabiting couple (see Table 3.2). Each group (defined by group 1 <1/2 the average household income (AHI), ½ AHI<group 2<AHI, AHI< group 3<1.5 AHI, group 4>1.5 AHI) above the poorest have roughly half the percentage of cohabiters that the previous quartile does (group 1: 6.5%, group 2:3.5%, group 3:1.5% and group 4: .8%), the poorer the individual the higher the likelihood of being in a cohabiting relationship. The family income was included in

order to reduce the effect that some states have a lower average family income than others and may have a higher number of cohabiters due to the greater number of poor.

Once the variables were defined an aggregate variable was created for each state for each year from 1977 to 1997. The aggregates represent the percentage of the total adult population that each dummy variable represented. Average Family income was the only variable not created from dummy variables and the natural log of the average family income was used as the aggregate variable. With 20 entries for each state, n is 160 (see Table 3.3).

3.6 Model

Wisconsin's adoption of the community property law creates a natural experiment that can be exploited by using a difference in difference approach (Wooldridge, 2006). I used a difference in difference regression framework to the change in the cohabitation rate in Wisconsin from before 1988 to after 1988, with the change in the cohabitation rate in the comparable states.

Each DD regression pools the data from prior to 1988 in two pools, Wisconsin and the comparison states, and does the same for the post-1988 period. The regression takes the following form:

$$Y_{it} = \beta_0 + \beta_1 88 + \beta_2 Wis + \beta_3 88 \cdot Wis + \mu \qquad (11)$$

Y is the cohabitation rate variable; i indexes the individual state and t indexes the year either pre or post 1988. 88 is a dummy variable equal to one for post 1988 years. Wis is a dummy variable equal to one for Wisconsin. β_0

captures the initial cohabitation rate for the seven comparison states prior to the law change. β_1 reflects the change in the cohabitation rate for all comparison states from before the adoption of the law to after. β_2 reflects the difference between the cohabitation rate for Wisconsin and the cohabitation rate for the comparison states prior to the law's implementation. The cohabitation rate in Wisconsin was slightly higher than the other Midwest states but roughly equal to the other comparison states before the law was established.

The coefficient of interest β_3 is on the double interaction of Wis x 88 and measures the difference between the increase in Wisconsin's cohabitation from before to after 1988 and the increase in the cohabitation rate of the comparison state. It tests the hypothesis that the cohabitation rate increased more in Wisconsin than it did in the control states from before the law was adopted to after.

3.7 Results

Running the regression on the seven Midwestern states and Wisconsin for the years between 1977 and 1997 (*n*=160, eight states with a record for each of the 20 years) resulted in the average cohabitation rate (β_0) for the seven Midwestern states to be 2.05%, and Wisconsin's average was 0.56% (β_2) above the other states. Wisconsin starting out at a higher rate may show that its population was already prone to cohabitation. However the second group of states, the states whose demography more closely matches that of Wisconsin, will show otherwise (see Table 3.4). When comparing the change that happened

from before the adoption of the law to after, the Midwestern states increased by 2.18% (β_1) and Wisconsin increased by 1.11% (β_3) more. Wisconsin increased by nearly 50% more than the Midwestern states, doubling the lead it had on the other states. Wisconsin went from 2.61% ($\beta_0 + \beta_2$) to 5.90% ($\beta_0 + \beta_2 + \beta_1 + \beta_3$) an increase of 126% ((5.90%-2.61%)/2.61%). The other Midwestern states went from 2.05% to 4.23% ($\beta_0 + \beta_1$) an increase of 106% ((4.23%-2.01%)/2.05%) a full 20% less than Wisconsin. These results allow us to reject the null hypothesis and accept the hypothesis that the adoption of the community property law had a positive impact on the cohabitation rate.

The second comparison was run over the same years from 1977 to 1997 on Wisconsin and the demographically similar states (Colorado, Georgia, Kansas, Massachusetts, Minnesota, Nebraska and Wyoming). The similar states started out with a 2.59% average cohabitation rate and Wisconsin was 0.13% (β_2) higher. However the initial difference between Wisconsin and the other states (β_2) was not statistically significant with a *p*-value of .742 and a t-stat of .33. Wisconsin and the other states started out at virtually the same cohabitation rate. The comparison states then increased from before 1988 to after by 1.90% (β_1) and Wisconsin increased by an additional 1.27%. Both Wisconsin and the comparison group started out around 2.60%, the comparison group increased to 4.50% after 1988, and Wisconsin increased to about 5.77%. The comparison states increased their cohabitation rate by 73%. Wisconsin increased by 22%, nearly a 50% greater increase than the others (see Figure 3.1).

The previous chapter showed that the difference in the cohabitation rates between community property states and other states decreased over time, disappearing altogether in the last few years. This narrowing of the distribution of cohabitation rates might work against our finding an impact of the Wisconsin law. In order to lessen the impact of this convergence (and potentially identify impacts of the change in law for an earlier period), I ran the regression once more on the demographically similar states and Wisconsin using 15 years instead of 20. The regression was run for the years from 1980 to 1995 (n=120, 8 states with an entry for each of the 16 years). The comparison states started out with an average cohabitation rate of 2.96% and Wisconsin was not statistically different (β_2 was 0.32% with a t-stat of .63 and a p-value of .531). The comparison states then increased by 1.15% and Wisconsin increased by an additional 1.44%. The comparison states went from 2.96% to 4.11% and Wisconsin went from 2.96% to 5.55% (see Table 3.5).

However, other things could be contributing to the cohabitation rate. The younger generation could be more accepting of cohabitation, while the older generation could favor the tradition of only living with someone you are married to. In the CPS 8.57% of individuals in their twenties are cohabiting with their partner compared to 1.96% of individuals in their sixties. For this reason age groups were added to the regression to produce the results in column (B) of Table 3.5. The baseline group in the “age” variable was individuals that have reached the age of 70 or more. The oldest generation in the sample set was the

least prone to cohabitation, the most likely to be married and the least likely to be single never having married.

Next, racial diversification could create bias if racial composition varies across states and if one race was more prone to cohabitation than another. Race was included in three categories, Whites, Blacks, and other. Other was used as the baseline variable of the three in that it represented the smallest portion of the population. “Other” lies somewhere between the White population and the Black population in nearly every marital status classification. Column (C) contains the results for the regression including both the age groups and race.

Another factor that could be affecting the cohabitation rate is the level of education. If cohabitation varies by education level and if education level varies across states, or if the change in education level varied across states, this may affect our measurement. The baseline variable for education is the population who never finished high school. They are somewhere in the middle of the pack for each of the five marital status classifications. They are more likely to be married, less likely to be single never married and less likely to be cohabiting than both those that finished high school and those that attended college but never finished.

Column (D) contains the education levels along with everything that was in column (C). Finally, a change in the average family income levels over the same time period could influence the cohabitation rate, and if those changes were more prevalent in Wisconsin the hypothesis could falsely be accepted or vice versa the results could be masked causing us to falsely reject the

hypothesis. Column (E) included the natural log of the average personal income level in each state along with everything in column (D).

Once all of the control variables are entered the results still indicate the hypothesized results. Wisconsin starts out with a 0.43% greater cohabitation rate than the Midwestern states (however the difference is not statistically significant with a *p*-value of 0.122 and a t-stat of 1.56) and ends up with an increase of 1.02% (*p*-value of 0.015 and t-stat of 2.45) more than the control states increased for the years between 1977 and 1997. For the demographically similar states Wisconsin's cohabitation rate started out with a 0.28% greater (the difference is not statistically significant with a *p*-value of 0.382 and a t-stat of 0.88). Wisconsin then increased by 1.44% (*p*-value of 0.001and a t-stat of 3.25) more than the control states increased. When the two groups were compared over 15 years Wisconsin started with an average cohabitation rate for the years between 1980 and 1987 that was 0.33% more than the average cohabitation rate for the Midwest states (however it was not statistically significant with a *p*-value of 0.312 and a t-stat of 1.02). Wisconsin then increased by 1.49% (*p*-value of .002 and t-stat of 3.14) more than the midwestern states for the years between 1988 and 1995.

In comparison with the demographically similar states over the same 15 years, Wisconsin started out with a 0.7% (again not statistically significant with a *p*-value of 0.09 and a t-stat of 1.71) higher cohabitation rate. Wisconsin then increased by 1.66% (*p*-value of 0.005 and t-stat of 2.9) more than the comparison states.

However, all of these results were not free of heteroskedasticity. They were each run a second time using a heteroskedastic robust regression. The resulting estimates stayed the same, however the standard error and resulting significance variables were changed. Each table reflects the significance of the estimates in the robust regression. The most notable difference in significance is the variable of interest. In nearly every regression the coefficient representing the difference in the increase dropped from being statistically significant at the 95% confidence level in the normal regression results to being statistically significant at the 90% confidence level in the robust regression results for the models without control variables. The results from the models with control variables hold up at the 95% confidence level.

Table 3.6 contains the full results of each of the regressions run comparing Wisconsin and the Midwestern states, spanning 20 years from 1977 to 1997. Table 3.7 contains those same results over 15 years from 1980 to 1995. Table 3.8 contains the regressions comparing Wisconsin with the demographically similar states for the same 20 years as above. Finally Table 3.9 contains the results for that same comparison over the 15 years mentioned above. It is interesting to note that age, race education and income levels all have a larger impact on cohabitation than the adoption of the community property law does.

3.8 Conclusion

The Wisconsin experiment successfully shows an impact of the community property law on cohabitation in Wisconsin. The adoption of the community property law in Wisconsin increased the utility of cohabitation compared with other options for at least part of the population.

The change brought community property law into the public eye. The publicity brought the differences in the two law regimes to the forefront of the minds of the Wisconsinites. More than in any of the other community property states, individuals were conscious of how the law would affect the outcomes of the decisions they made. This could have affected the decisions of the individuals in Wisconsin. The expectations formed through the media coverage of the law could have caused the law to have a different effect on the individual decisions made by the population in Wisconsin than it does in other states.

The impact of the adoption of the community property law on the cohabitation rate exceeded the change of the cohabitation rate in the states where the states whose property laws remained static.

Many laws are brought in front of the public without the careful considerations of the impact that the law could have on other aspects of daily living. If Wisconsin had known that the adoption of the community property law would lead to a greater increase in cohabitation rates than other states experienced possibly decreasing the importance of marriage in their state, the law may not have passed. Although they may have still voted to adopt the law

but would do it knowing more about the future landscape of the households in their state.

Table 3.1 Percent of Adult Population in Each Marital Status by Category

	Current Marital Status				
Variables	Single Never Married	Cohabiting	Married	Seperated	Divorced
RACE					
White	18.6%	4.5%	67.6%	2.0%	7.2%
Black	33.9%	5.6%	43.4%	6.8%	10.4%
Other	25.4%	5.3%	61.0%	2.1%	6.1%
EDUC					
No high school diploma	19.6%	3.7%	66.5%	3.4%	6.8%
High school	20.8%	6.5%	61.7%	2.6%	8.5%
Some college	25.2%	5.2%	59.1%	2.1%	8.5%
Bachelor's degree	18.0%	4.2%	70.1%	1.3%	6.4%
Graduate degree	13.1%	3.0%	75.7%	1.2%	7.1%

Table 3.2 Means in Marriage Status by Family Income Group

	Marital Status					
Income Groups	Single Never Married	Cohabiting	Married	Seperated	Divorced	Total
1	24.0%	6.5%	42.6%	8.6%	18.3%	956,104
2	13.8%	3.5%	67.1%	3.2%	12.4%	590,719
3	6.5%	1.5%	83.6%	1.6%	6.8%	361,852
4	3.4%	0.8%	91.3%	0.9%	3.6%	338,139

Group 1 is any household whose family income is less than half the average. Group 2 is the households who have an income between half the average and the average. Group 3 are those that have a family income greater than the average but less than one and a half the average. Finally, group 4 are households with a family income of more than one and a half the average household income. The averages were calculated for each year to take into account income inflation. The "Total" is the total number of households that fall into each group. All data are from the CPS for the years from 1977 to 1997.

Table 3.3 Mean Percentage of Key Variables

Variables	Geographical area		
	WI	Midwest	Similar
1. *Means prior to* 1988			
Race			
White	96.1%	94.4%	93.7%
Black	3.2%	4.7%	5.1%
Other	0.8%	0.9%	1.2%
Marital Status			
Single never married	21.3%	18.8%	19.3%
Currently cohabiting	2.7%	2.2%	2.6%
Married	69.3%	71.5%	70.4%
Seperated	1.6%	1.6%	1.8%
Divorced living single	5.1%	6.0%	5.9%
Education			
Did not finish high school	65.5%	65.7%	60.7%
High school diploma	3.2%	3.4%	3.8%
Some college	16.4%	16.5%	18.5%
Bachelor's	11.0%	10.6%	12.8%
Graduate	3.9%	3.8%	4.3%
Income			
Family Income	22199	21054	21946
1. *Means for* 1988 *and after*			
Race			
White	94.5%	93.4%	91.0%
Black	3.6%	4.8%	6.4%
Other	1.9%	1.8%	2.5%
Marital Status			
Single never married	19.9%	19.1%	19.3%
Currently cohabiting	5.9%	4.4%	4.5%
Married	65.7%	66.9%	66.5%
Seperated	1.8%	1.7%	1.9%
Divorced living single	6.7%	7.8%	7.9%
Education			
Did not finish high school	33.4%	33.8%	31.1%
High school diploma	24.7%	24.3%	22.2%
Some college	22.8%	23.6%	24.7%
Bachelor's	13.3%	12.8%	15.5%
Graduate	5.8%	5.5%	6.6%
Income			
Family income	37257	35506	36923

All averages are for the years from 1977 to 1997

Table 3.4 Difference in the Cohabitation Rate Before and After the Adoption of the Community Property Law

	years 1977 to 1997		years 1980 to 1995	
Variables	Similar states	Midwest states	Similar states	Midwest states
Mean cohabitation rate for the comparison states prior to 1988	0.0259 (0.0015)	0.0205 (0.0012)	0.0296 (0.0018)	0.0234 (0.0013)
Difference of the cohabitation rate between Wisconsin and the comparison states prior to 1988	0.0014 (0.0042)	0.0056 (0.0033)	0.0032 (0.0051)	0.0062 (0.0035)
Mean increase of the cohabitation rate in the comparison states	0.0190 (0.0022)	0.0218 (0.0018)	0.0115 (0.0025)	0.0164 (0.0019)
Difference between the increases of the cohabitation rate of Wisconsin and the comparison	0.0127 (0.0061)	0.0111 (0.0050)	0.0144 (0.0072)	0.0138 (0.0054)

Note: Standard errors are shown in parentheses. Similar states include Colorado, Georgia, Kansas, Massachusetts, Minnesota, Nebraska and Wyoming. Midwest states include Iowa, Minnesota, Michigan, Indiana, Kansas, Nebraska and Kentucky. These results do not include any control variables.

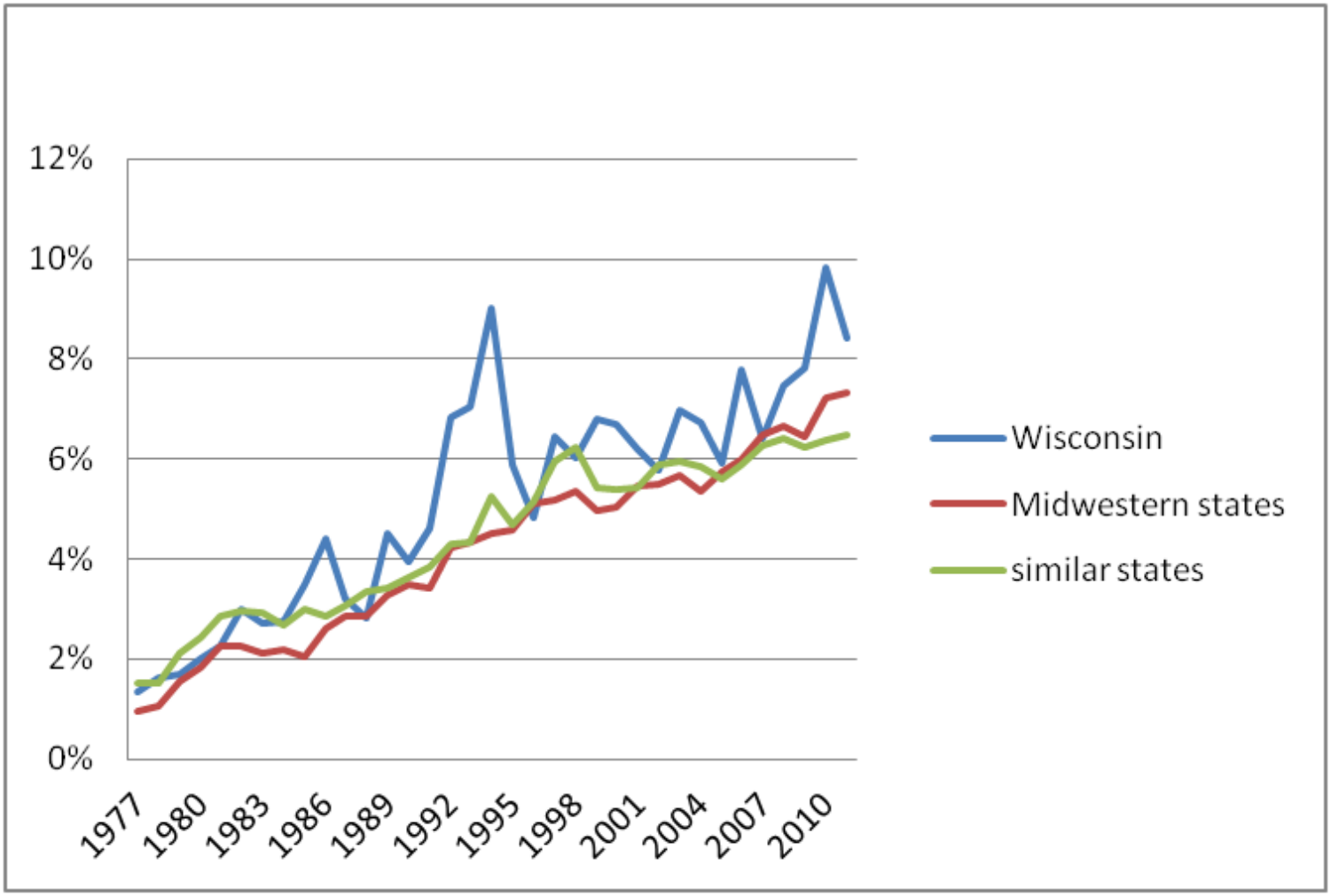

Figure 3.1 Cohabitation Rates
The percentage of individuals who chose to cohabitate of the general adult population in Wisconsin, the Midwestern states and demographically similar states

Table 3.5 Results of the Five Nested Models

	Models				
Variables	{A}	{B}	{C}	{D}	{E}
Similar states over 20 years					
Constant	0.0259	-0.0912	0.1225	-0.1573	-0.3256
	(0.000)	(0.029)	(0.229)	(0.213)	(0.020)
Wisconsin	0.0014	0.0037	0.0035	0.0056	0.0028
	(0.659)	(0.181)	(0.185)	(0.034)	(0.307)
Post 1988	0.0190	0.0065	0.0036	0.0033	0.0016
	(0.000)	(0.046)	(0.259)	(0.288)	(0.618)
Wisconsin x Post 1988	0.0127	0.0127	0.0133	0.0147	0.0144
	(0.062)	(0.029)	(0.024)	(0.007)	(0.012)
Similar states over 15 years					
Constant	0.0296	-0.0863	0.2324	-0.0332	-0.2198
	(0.000)	(0.153)	(0.126)	(0.569)	(0.212)
Wisconsin	0.0032	0.0060	0.0054	0.0083	0.0071
	(0.467)	(0.070)	(0.090)	(0.022)	(0.076)
Post 1988	0.0115	0.0054	0.0023	0.0033	0.0007
	(0.000)	(0.170)	(0.556)	(0.507)	(0.853)
Wisconsin x Post 1988	0.0144	0.0161	0.0176	0.0177	0.0166
	(0.064)	(0.016)	(0.008)	(0.001)	(0.002)
Midwestern states over 20 years					
Constant	0.0205	-0.0077	0.3504	0.3013	0.1780
	(0.000)	(0.846)	(0.004)	(0.058)	(0.238)
Wisconsin	0.0056	0.0049	0.0055	0.0058	0.0043
	(0.034)	(0.039)	(0.014)	(0.009)	(0.026)
Post 1988	0.0218	0.0094	0.0081	0.0058	0.0068
	(0.000)	(0.001)	(0.002)	(0.015)	(0.003)
Wisconsin x Post 1988	0.0111	0.0082	0.0075	0.0094	0.0102
	(0.065)	(0.128)	(0.181)	(0.068)	(0.066)
Midwestern states over 15 years					
Constant	0.0234	-0.0548	0.3667	0.4760	0.2612
	(0.000)	(0.242)	(0.008)	(0.005)	(0.121)
Wisconsin	0.0062	0.0057	0.0062	0.0071	0.0033
	(0.012)	(0.009)	(0.003)	(0.001)	(0.160)
Post 1988	0.0164	0.0081	0.0074	0.0061	0.0063
	(0.000)	(0.006)	(0.008)	(0.013)	(0.010)
Wisconsin x Post 1988	0.0138	0.0123	0.0120	0.0127	0.0149
	(0.052)	(0.037)	(0.053)	(0.024)	(0.008)
Control Variables Included					
Age		Yes	Yes	Yes	Yes
Race			Yes	Yes	Yes
Education				Yes	Yes
Income					Yes

Note: P-Values are shown in parenthesis are from a robust regression the takes into account the bias caused by heteroskedastic data. Full results found in Tables 3.6, 3.7, 3.8, and 3.9

Table 3.6 Full Results of the Five Nested Models for the Regressions on the Midwestern States for the 20 Years from 1977 to 1997

Variables	{A}	{B}	{C}	{D}	{E}
Constant	0.0205	-0.0077	0.3504	0.3013	0.1780
	(0.000)	(0.846)	(0.004)	(0.058)	(0.238)
Wisconsin	0.0056	0.0049	0.0055	0.0058	0.0043
	(0.034)	(0.039)	(0.014)	(0.009)	(0.026)
Post 1988	0.0218	0.0094	0.0081	0.0058	0.0068
	(0.000)	(0.001)	(0.002)	(0.015)	(0.003)
Wisconsin x Post 1988	0.0111	0.0082	0.0075	0.0094	0.0102
	(0.065)	(0.128)	(0.181)	(0.068)	(0.066)
60s		-0.0843	-0.0295	0.0235	-0.0096
		(0.258)	(0.717)	(0.764)	(0.905)
50s		-0.0854	-0.0290	-0.0308	0.0507
		(0.185)	(0.682)	(0.679)	(0.464)
40s		0.2047	0.1937	0.1263	0.0887
		(0.002)	(0.004)	(0.061)	(0.157)
30s		0.1016	0.0941	0.1153	0.0484
		(0.100)	(0.192)	(0.089)	(0.486)
20s		0.0258	0.0331	0.0656	0.0473
		(0.615)	(0.530)	(0.179)	(0.325)
Under 20		-0.3017	-0.2970	-0.2400	-0.1968
		(0.086)	(0.097)	(0.199)	(0.252)
White			-0.3733	-0.3387	-0.3520
			(0.000)	(0.018)	(0.010)
Black			-0.4041	-0.3669	-0.3983
			(0.000)	(0.016)	(0.006)
High school grad				0.0192	0.0224
				(0.099)	(0.042)
Some College				0.0644	0.0141
				(0.061)	(0.685)
Bachelor's Degree				-0.0372	-0.0119
				(0.599)	(0.859)
Graduate Degree				-0.0758	-0.1369
				(0.454)	(0.128)
Natural log of the average family income					0.0165
					(0.000)

P-value is shown in parenthesis. Results are heteroskidastically robust.

Table 3.7 Full Results of the Five Nested Models for the Regressions on the Midwestern States for the 15 Years from 1980 to 1995

Variables	{A}	{B}	{C}	{D}	{E}
Constant	0.0234	-0.0548	0.3667	0.4760	0.2612
	(0.000)	(0.242)	(0.008)	(0.005)	(0.121)
Wisconsin	0.0062	0.0057	0.0062	0.0071	0.0033
	(0.012)	(0.009)	(0.003)	(0.001)	(0.160)
Post 1988	0.0164	0.0081	0.0074	0.0061	0.0063
	(0.000)	(0.006)	(0.008)	(0.013)	(0.010)
Wisconsin x Post 1988	0.0138	0.0123	0.0120	0.0127	0.0149
	(0.052)	(0.037)	(0.053)	(0.024)	(0.008)
60s		-0.0480	-0.0211	0.0118	-0.0486
		(0.603)	(0.817)	(0.897)	(0.620)
50s		-0.0192	0.0377	0.0134	-0.0446
		(0.794)	(0.634)	(0.864)	(0.576)
40s		0.2541	0.2141	0.1272	0.0724
		(0.001)	(0.007)	(0.083)	(0.334)
30s		0.1439	0.1060	0.1085	0.0643
		(0.055)	(0.201)	(0.177)	(0.421)
20s		0.0799	0.0832	0.0851	0.0389
		(0.174)	(0.154)	(0.123)	(0.493)
Under 20		-0.0592	-0.0915	-0.0761	-0.0091
		(0.770)	(0.657)	(0.724)	(0.966)
White			-0.4216	-0.5147	-0.4629
			(0.000)	(0.001)	(0.001)
Black			-0.4416	-0.5294	-0.4908
			(0.000)	(0.001)	(0.001)
High school grad				0.0294	0.0286
				(0.016)	(0.016)
Some College				-0.0121	-0.0406
				(0.731)	(0.266)
Bachelor's Degree				-0.0042	-0.0249
				(0.955)	(0.742)
Graduate Degree				-0.1282	-0.0767
				(0.214)	(0.483)
Natural log of the average family income					0.0213
					(0.002)

P-value is shown in parenthesis. Results are heteroskidastically robust.

Table 3.8 Full Results of the Five Nested Models for the Regressions on the Demographically Similar States for the 20 Years from 1977 to 1997

Variables	{A}	{B}	{C}	{D}	{E}
Constant	0.0259	-0.0912	0.1225	-0.1573	-0.3256
	(0.000)	(0.029)	(0.229)	(0.213)	(0.020)
Wisconsin	0.0014	0.0037	0.0035	0.0056	0.0028
	(0.659)	(0.181)	(0.185)	(0.034)	(0.307)
Post 1988	0.0190	0.0065	0.0036	0.0033	0.0016
	(0.000)	(0.046)	(0.259)	(0.288)	(0.618)
Wisconsin x Post 1988	0.0127	0.0127	0.0133	0.0147	0.0144
	(0.062)	(0.029)	(0.024)	(0.007)	(0.012)
60s		0.0244	0.1229	0.0930	0.0942
		(0.782)	(0.124)	(0.210)	(0.207)
50s		-0.0650	-0.0130	-0.0913	-0.0008
		(0.435)	(0.869)	(0.249)	(0.992)
40s		0.3633	0.3959	0.2082	0.2012
		(0.000)	(0.000)	(0.003)	(0.003)
30s		0.1587	0.1663	0.1229	0.1059
		(0.001)	(0.000)	(0.007)	(0.026)
20s		0.2051	0.2096	0.2031	0.2458
		(0.000)	(0.000)	(0.000)	(0.000)
Under 20		-0.3120	-0.3037	-0.0561	-0.0087
		(0.012)	(0.008)	(0.632)	(0.941)
White			-0.2396	0.0463	0.0050
			(0.012)	(0.702)	(0.967)
Black			-0.2893	0.0226	-0.0278
			(0.002)	(0.851)	(0.818)
High school grad				0.0289	0.0290
				(0.092)	(0.083)
Some College				0.0597	0.0339
				(0.133)	(0.366)
Bachelor's Degree				0.1572	0.0822
				(0.010)	(0.177)
Graduate Degree				0.0738	-0.0017
				(0.322)	(0.982)
Natural log of the average family income					0.0208
					(0.000)

P-value is shown in parenthesis. Results are heteroskidastically robust.

Table 3.9 Full Results of the Five Nested Models for the Regressions on the Demographically Similar States for the 15 Years from 1980 to 1995

Variables	{A}	{B}	{C}	{D}	{E}
Constant	0.0296	-0.0863	0.2324	-0.0332	-0.2198
	(0.000)	(0.153)	(0.126)	(0.569)	(0.212)
Wisconsin	0.0032	0.0060	0.0054	0.0083	0.0071
	(0.467)	(0.070)	(0.090)	(0.022)	(0.076)
Post 1988	0.0115	0.0054	0.0023	0.0033	0.0007
	(0.000)	(0.170)	(0.556)	(0.507)	(0.853)
Wisconsin x Post 1988	0.0144	0.0161	0.0176	0.0177	0.0166
	(0.064)	(0.016)	(0.008)	(0.001)	(0.002)
60s		0.0237	0.1200	0.0472	-0.0042
		(0.922)	(0.307)	(0.492)	(0.660)
50s		-0.1543	-0.0553	-0.1378	-0.1188
		(0.194)	(0.433)	(0.112)	(0.158)
40s		0.3052	0.3392	0.1538	0.1347
		(0.000)	(0.000)	(0.014)	(0.024)
30s		0.1947	0.1925	0.1551	0.1117
		(0.007)	(0.003)	(0.007)	(0.023)
20s		0.2053	0.2044	0.2089	0.2176
		(0.002)	(0.001)	(0.001)	(0.000)
Under 20		-0.1436	-0.0718	0.1911	0.2053
		(0.140)	(0.219)	(0.377)	(0.246)
White			-0.3513	-0.0752	-0.0839
			(0.005)	(0.920)	(0.865)
Black			-0.3937	-0.0925	-0.1058
			(0.001)	(0.785)	(0.721)
High school grad				0.0377	0.0347
				(0.036)	(0.047)
Some College				0.0386	0.0393
				(0.841)	(0.867)
Bachelor's Degree				0.1519	0.0998
				(0.053)	(0.187)
Graduate Degree				0.0694	0.0032
				(0.323)	(0.585)
Natural log of the average family income					0.0216
					(0.107)

P-value is shown in parenthesis. Results are heteroskidastically robust.

CHAPTER 4

CONCLUSION

4.1 Chapter 2

Chapter 2 addressed the impact that community property law has on cohabitation rates. In 1977 there was a large impact. Individuals in community property states in 1977 were 68% more likely to cohabitate than their common law counterparts (see Figure 2.1). However, over the years the likelihood to cohabitate has equalized in the two different regimes. In 2010 there was no significant difference between the two regimes. The difference dropped by an average of 1.2% each year until finally converging in the last few years.

In the late 1960s through the entire decade of the 1970s many individuals deviated from the societal norm by divorcing in greater numbers than previously seen. This increase in deviation from the norm paved the way for the next generation to further diminish the importance of the marital code of behavior. The loss of reputation caused by cohabitation may have dropped to little or no effect for this next generation. This drop may be one of the driving factors for the convergence of cohabitation rates by the two regimes. During this same time the courts in common law regimes increased the use of the fairness guidelines. This increase may have provided a greater foundation for the common law adding

consistency to the outcomes causing it to more closely resemble community property law and the equal division of property in divorce. This increased equality in common law states could be another factor in the convergence of the cohabitation rates of the two regimes. Finally the increase in female labor force participation along with the decreasing discrepancy between male and female wages could also have been playing a role in the convergence in the cohabitation rates. With the contributions from both husband and wife becoming closer to equal the issues of perceived unfairness of equal division upon divorce in community property states may have lessened, decreasing the impact that community property law has on the cohabitation rates and allowing the convergence of the cohabitation rates.

The convergence of the two regimes brings up the question of whether cohabitation correlations are changing over time as well. Next steps would be to ask if the correlation between premarital cohabitation and marital stability still holds within the most recent generation. Are the dynamics for household formation changing? Or could that correlation be strengthening because only those that believe and live by the marital code of behavior will wait to live together until after a formal marriage? Those that believe that death is the only thing that will separate them and marriage is the only thing that brings them under the same roof will continue to avoid cohabitation despite the lessened impact that cohabitation has on their reputation.

One extension of the analysis put forth in chapter two is to examine other data sets containing similar data to see if the results can be corroborated.

4.2 Chapter 3

Chapter 3 was designed to further at look the correlation between community property law and the cohabitation rates. The adoption of community property law by Wisconsin provided an ideal way to scrutinize the impact that the law has had on cohabitation. Comparison states were identified by looking for states that were demographically similar to Wisconsin prior to 1988. Comparing these states with Wisconsin, we are able to conclude that the adoption of the law did have a positive impact on the cohabitation rates. The increase in the cohabitation rate for Wisconsin was 50% greater than the increase for the comparison states. This conclusion further supports the results of Chapter 2.

The Wisconsin experiment could have been strengthened by looking for a similar trend in other data sets. The use of percentages of the adult population in the main variable as well as the control variable introduced heteroskedasticity into the results. While using a heteroskedasticly robust model to eliminate the bias that the heteroskedasticity may have caused, the results may also be strengthened by using an econometric model that would not require the use of percentages.

4.3 Further Research

While this research answers a few questions it brings up a few more questions. For example, what impact does this law have on other household decisions? Has the community property law had an impact on the female labor

supply, or the age at first marriage, or the amount of time between divorce and engaging in a subsequent relationship?

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