HOW INCOME DISPARITY AMONG ROMANTIC PARTNERS IMPACTS JOINT CONSUMPTION DECISIONS

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How Income Disparity Among Romantic Partners Impacts Joint Consumption Decisions

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CERTIFICATE OF ORIGINALITY

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ABSTRACT

Despite its importance, little work has examined how income disparity at the dyad level, specifically between two romantic partners, can impact joint consumption decisions. This research demonstrates that income disparity among romantic partners differently impacts couples with low (vs. high) combined income. In particular, for couples with lower combined income, income disparity decreases spending for joint consumption, but for couples with higher combined income, income disparity increases spending for joint consumption. The effect is mediated by perceived financial well-being as a couple. Moreover, when a calculation intervention is introduced, the proposed effect is attenuated. The findings provide insights in understanding how income disparity among romantic partners influences their joint consumption decisions, which also have implications for designing marketing strategies to reduce the influence of income disparity.

Keywords: income disparity, romantic relationship, joint consumption, financial well-being as a couple

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CHAPTER 1. INTRODUCTION

Extant work in sociology, psychology, and marketing has investigated income disparity between different groups of people (i.e., Buttrick and Oishi 2017; Christensen et al. 2021; Hagerty, Barasz, and Norton 2022). Indeed, income disparity in society continues to be one of the most important issues that profoundly impact various outcomes, ranging from national economic growth (Barro 2000) to individual outcomes (e.g., happiness, trust, or spending behavior; Jaikumar and Sarin 2015; Oishi, Kesebir, and Diener 2011; Walasek and Brown 2015). For example, when a consumer observes that their neighbor appears wealthier than them, they may purchase more expensive, status-signaling items to reduce this disparity (Ordabayeva and Chandon 2011). The current research builds on this line of work to take a novel approach and investigate the role of income disparity between two romantic partners. As more segments of the population join the workplace, more romantic partners have become dual earners (Biernat and Wortman 1991). When both romantic partners have earning power, it is often the case that their income levels will vary. For instance, U.S. census data (2015) suggests that 9% of female partners on average earn $30,000 more than their spouse, while the proportion is 35% for male partners (McGurran 2016).

In this research, I propose that income disparity between romantic partners plays an important role in determining how they feel financially as a couple and how much they decide to spend on their joint consumption. In particular, I propose that income disparity will increase (decrease) spending on joint consumption when combined income is high (low). When combined income is high, income disparity tends to highlight the high earner's income, increasing perceived financial well-being. Couples with higher perceived financial well-being may focus on displaying greater social status, spending more on luxury items such as high-end cars, vacations, and expensive clothing (Agarwal et al. 2007). In contrast, when

combined income is low, income disparity tends to highlight the low earner's income, reducing perceived financial well-being. Couples with lower perceived financial well-being tend to feel more financially distressed (Gladstone, Garbinsky, and Mogilner 2022), and spend more on basic necessities such as housing, food, and healthcare (Agarwal et al. 2007).

To illustrate, imagine the lifestyle of a couple with high combined income, where the two romantic partners' income levels are similar. For example, one partner may bring in a yearly income of $110,000, while the other partner may bring in $90,000. Now, take another couple who brings in the same amount of income in total (i.e., $200,000), but has a greater income disparity among the two romantic partners. For instance, one partner may earn $160,000 and the other may earn $40,000. From a purely economic standpoint, these two couples' consumption habits should be similar, as their total incomes as a couple are similarly high. Both couples should be able to indulge on joint consumption, such as choosing a more spacious apartment to cohabitate in or taking a more luxurious vacation to celebrate their anniversary. However, I theorize that perceived financial well-being will be influenced by the higher earner's income level in addition to the level of combined income. Thus, the latter couple with greater disparity will anchor on $160,000, while the former couple with lower disparity will anchor on $110,000. Therefore, I predict that the couple with greater disparity will feel more wealthy as a couple and end up spending more on joint consumption.

At the same time, when romantic partners' combined income is relatively low, I propose that the effects will reverse. Specifically, a couple that makes $30,000 and $20,000 respectively (i.e., low disparity) will feel greater perceived financial well-being as a couple and spend more on joint consumption, compared to a couple that makes $40,000 and $10,000 respectively (i.e., high disparity), because they will focus on the lower earner's income level.

This research might contribute to existing literature in three ways. First, this research contributed to the literature on financial decision making in romantic relationships. Prior

research has found that partner's joint saving goal (Fitzsimons, Finkel, and Vandellen 2015), self-control (Dzhogleva and Lamberton 2014), goal progress (Nikolova and Nenkov 2022), and pooling account (Garbinsky and Gladstone 2019) influence couple's financial decisions. This research is the first to investigate factors influencing romantic partners' spending on joint consumption decisions. Second, this work also adds new insights to the literature on income inequality by investigating the income disparity among dyads. Existent research has examined income inequality on the country, district, family, or individual level (i.e., Buttrick and Oishi 2017; Dubois, Rucker, and Galinsky 2015; Walasek and Brown 2015), this research extends this line of research by focusing on the income disparity among romantic partners in the context of joint consumption. Third, whereas prior research found that wealth perception is malleable (De La Rosa and Tully 2022; Goya-Tocchetto and Payne 2022; Luttmer 2005), I suggest that income disparity among dyads impacts the perceived financial well-being as a couple.

CHAPTER 2. THEORETICAL FOUNDATIONS

Income Disparity in Romantic Relationships

Income disparity, or income inequality, refers to the difference in income distribution among individuals or populations, according to the OECD (2018). Unsurprisingly, the extant body of work on income disparity supports that it has various important societal outcomes, such as economic growth, education, as well as individuals' health and well-being (see Cingano 2014; Oishi et al. 2011; Shankar and Shah 2003; Xie and Zhou 2014). For instance, high income disparity at the national level predicted slower economic growth (Barro 2000), and depressed skill education among individuals with poorer backgrounds (Cingano 2014).

National income inequality is reported to negatively relate to residents' happiness, and trust in each other (Oishi et al. 2011), and it even hurts the physical health of people at both ends of the spectrum (both the poor and the rich; Subramanian and Kawachi 2006; Wilkinson 1992). Violent crime, drug abuse, mental illness, and teen pregnancies were also found to be greater in unequal areas (Burns, Tomita, and Kapadia 2014; Western, Kleykamp, and Rosenfeld 2006).

Income disparity motivates individuals to seek purchases that help cope with the inequality in status. Individuals living in states with higher income inequality are more likely to search online for status goods such as jewelry and luxury brands (Walasek, Bhatia, and Brown 2018; Walasek and Brown 2015). Moreover, families that reside in districts with high income inequality tend to engage in more conspicuous consumption (Jaikumar and Sarin 2015). Not only monetary consumption, people who perceive greater income inequality also have higher preferences for hedonic experience due to upward social comparison, they believe that wealthy people derive pleasure and happiness from conspicuous consumption (Hannay, Payne, and Brown-Iannuzzi 2021). Comparing with wealthier people also makes people feel poorer and have higher standards of enough, which motivates them to risker gambling choices (Goya-Tocchetto and Payne 2022).

Income disparity also exists in romantic relationships. As more segments of the population join the workforce, more couples have become dual earners (Biernat and Wortman 1991). When both romantic partners have earning power, it will often be the case that their income levels will vary – U.S. census data (2015) suggests that 9% of female partners on average earn $30,000 more than their spouse, while the proportion is 35% for male partners (McGurran 2016).

Research has shown how income disparity in couples impacts money management among couples (Althaber, Leuze, and Künzel 2023; Hiekel, Liefbroer, and Poortman 2014).

An analysis of the panel data from German Socio-Economic Panel Study indicated that couples of greater income disparity tend to pool their incomes as they may adopt a reciprocal norm of solidarity and pooled money reduce the financial risk of lower earners, but when the disparity mainly comes from wealth (i.e., house ownership), couples tend to keep their incomes separate, because wealth is less transferable, less visible, and more financially secure in a long-term than incomes, wealthier people are less willing to share their incomes with their partners (Althaber et al. 2023). Couples with children are also found more likely to pool money (Hiekel et al. 2014).

Moreover, classic work in family purchases shows how income disparity in couples impacts each person individually. In particular, individuals with lower income levels may feel vulnerable in a relationship and tend to underestimate their partners' commitment, which can hurt relationship satisfaction (Emery and Finkel 2022). On the other hand, the spouse with a greater income level may wield greater marital power (Pahl 1995). Prior work demonstrates that such imbalance in power also translates into the overall direction of household purchase decisions (Qualls 1987; Spiro 1983). For example, a spouse may be more likely to forego their own favorite items and instead purchase items that their partner prefers, when the partner is the breadwinner of the family (Pahl 1995).

Social Class and Spending Behaviors

People with different social classes (i.e., general material resources) are found to have various cognitive and behavioral modes (Kraus, Piff, and Keltner 2011). Facing more constraints in society, those in lower classes are more likely to interpret outcomes as a result of external factors or uncontrollable factors due to their lower self-control perception, while high-class individuals tend to explain social events in dispositional terms (Kraus et al. 2012;

Manstead 2018). Lower-class consumers relying more on interdependence are more compassionate towards others' suffering (Stellar et al. 2012) and possess a communal self-concept that emphasizes interactions within the group (Aydin et al. 2019; Kraus et al. 2012; Miyamoto et al. 2018). For instance, lower-class consumers' behavior towards their own members remains unchanged but less communal with upper-class targets (Van Doesum, Tybur, and Van Lange 2017). On the contrary, upper-class people tend to have individualistic self-concepts (Kraus et al. 2011; Miyamoto et al. 2018). They emphasize the "self-profitability" (Peeters, Doise, and Moscovici 1983), and make choices for their self-benefit (Kraus et al. 2011).

Social class plays an important role in impacting consumers' spending behaviors. Underprivileged people are more price sensitive due to financial scarcity (Ailawadi, Neslin, and Gedenk 2001) and their price recall is more accurate (Estelami and Estelami 2023). Low-SES individuals Consumers facing financial constraints are more inclined to budget and "stretch" their resources to maximize effectiveness (Hamilton et al. 2019). Thus, compared with less constrained consumers, resource-constrained consumers spend more of their budget on necessities (Cole, Thompson, and Tufano 2008), and increased food prices significantly reduced food consumption in poor individuals compared with rich ones (Green et al. 2013). By contrast, consumption by upper-class consumers tends to reflect their privilege (Piff and Robinson 2017). It is more likely for upper-class consumers to purchase a product with social costs in spite of its higher price as they feel entitled to use more resources than others, which allows them to justify their purchase (Lee and Winterich 2022).

Financial Well-being as a Couple

Prior research mainly considers financial well-being from consumers' current status and future expectations. For example, CFPB (Consumer Financial Protection Bureau) (2017) defined financial well-being as "having control over day-to-day and month-to-month finances, being able to absorb a financial shock, being on track to meet financial goals, and having financial freedom". Extending this concept, Netemeyer et al. (2018) conceptualize perceived financial well-being as two constructs, stress related to current money management and perceived financial security in the future. Bruggen et al. (2017) define financial well-being as the perceived ability to maintain current and anticipated desired living standards. In the current research, I define financial well-being as a couple as consumers' perceived financial resources and security with their partner together.

Consumers' perceived financial resources are malleable. Higher (versus low) income payment frequency reduces consumers' perceived uncertainty in evaluating their financial resource enoughness, thus increasing their spending amount (De La Rosa and Tully 2022). Consumers also evaluate wealth levels differently regarding themselves and others, they tend to believe that their debt would reduce faster than others in the future and perceive themselves as wealthier than others considering the same amount in assets and debt (Batista, Sussman, and Trueblood 2023). Social comparison is another important factor influencing the perceived satisfaction with incomes. Downward social comparison tends to make people feel better, in contrast, the upward social comparison makes people feel worse, and the upward comparison is more powerful in evaluating social economic status (Goya‐Tocchetto and Payne 2022). Consumers who live with wealthier neighbors often report lower satisfaction with their income levels (Luttmer 2005). Neighbors of the Dutch postcode lottery (a prize of cash and a BMW car) winners were more likely to feel financial stress, spend more on cars, and take on debt in the next year (Agarwal et al. 2007; Kuhn et al. 2011).

Apart from individual-level financial well-being, research also investigated factors that influence financial well-being at a dyad or household level. Similar to individual well-being, families with more positive financial behaviors and financial access (i.e., the opportunity to use financial services and products) experience fewer difficulties in covering bills and expenses (Sun et al. 2022). Health expenditure reduces the perception of family financial well-being in China, as people treat it as resource competition against other family needs (Zhou, Wang, and Huang 2021). Discussion of financial topics may impose stress among couples as it increases conflicts, but ultimately it improves financial adaptability during the pandemic period (Yakymchuk et al. 2021). Couples may share their skills and knowledge in managing household finances by having complementary financial abilities to partners, and this strategy helps increase family financial well-being (Salignac et al. 2020; Ward and Lynch Jr 2019).

Drawing on the above literature, this research proposes that *greater income disparity* among romantic partners will increase their spending amount on joint consumption when their combined incomes are relatively at a higher level, however, dyads tend to spend less on joint consumption with greater income disparity when their combined incomes are relatively in a lower level. Couples with greater combined incomes (i.e., higher social class) may focus more on their benefits (Kraus et al. 2011) by anchoring on the higher earners, and spending more on joint consumption may reflect their privileged economic status (Piff and Robinson 2017). They may further perceive greater financial well-being as a couple and will be more likely to purchase more expensive products on joint consumption. For instance, couples with greater income disparity and generally higher social class will prefer to rent a higher-end apartment, rather than choose to rent an affordable apartment to cohabitate in. By contrast, couples with lower social class may anchor on the incomes of low earners. Facing more financial constraints makes them pay more attention to budgets (Hamilton et al. 2019),

discounts (Shah et al., 2015), and necessities (Cole et al., 2008), thus the income of lower earners may be the main consideration in perceiving the financial well-being as a couple. The greater income disparity makes couples of lower combined incomes perceive lower financial well-being, then spend less on joint consumption.

Taken together, I propose that:

H1: For couples with higher combined incomes, greater income disparity increases their spending amount on joint consumption; however, for couples with lower combined incomes, greater income disparity decreases their spending amount on joint consumption.

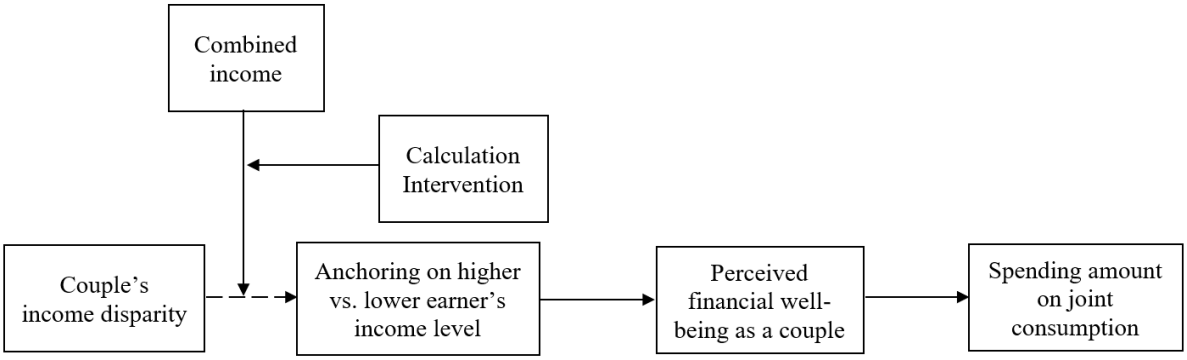
H2: The impact of income disparity and combined income on spending on joint consumptions is mediated by perceived financial well-being as a couple. Specifically, for couples with higher combined incomes, greater income disparity increases the perceived financial well-being as a couple; however, for couples with lower combined incomes, greater income disparity decreases the perceived financial well-being as a couple.

I propose that an intervention to hinder the possible influence of anchoring on higher or lower earners may influence perceived financial well-being as a couple, thus attenuating the proposed impact of income disparity on spending. In the previous example, one dyad's incomes have greater income disparity ($110,000 and $90,000), and another couple has less income disparity ($160,000 and $40,000). When there is an intervention asking them to calculate the combined income as a couple before purchase decisions, they are less likely to anchor on one earner, and since the couples earn the same amount of income, I posit that the impact of income disparity will be attenuated.

H3: When a calculation intervention is introduced, the effect of income disparity and combined income on spending on joint consumptions is attenuated.

FIGURE 1

CONCEPTUAL FRAMEWORK



CHAPTER 3. THE CURRENT RESEARCH

OVERVIEW OF STUDIES

I test the predictions in a series of four studies using both real spending data and manipulations of income disparity. In study 1, I examined real spending data from a national representative sample to demonstrate the core effect of disparity among couples' incomes and combined income on their spending on joint consumptions. Study 2 further tested the mediation effect by showing that the proposed effect is driven by perceived financial well-being as a couple, and it only existed in the joint consumption context but not in individual consumption. Study 3 plans to replicate the core effect again by manipulating the income disparity among couples. Finally, study 4 will test the moderation role of calculation intervention and show that the effect of income disparity and combined income on joint consumption will be attenuated when people are asked to calculate the combined income before purchase. Figure 1 presents the conceptual framework tested in the studies.

STUDY 1: REAL SPENDING BEHAVIORS OF MARRIED COUPLES

The objective of this study is to obtain real-world evidence for the effect of romantic partners' income disparity on their spending on joint consumption. To test whether the income disparity between romantic partners impacts spending on joint consumption differently, depending on whether their combined income is low versus high, I examine a panel dataset that surveyed married couples' actual income level and their expenditures at the household level.

Method

The full PSID dataset from 2019 includes a total of 9,569 representative household samples from across the U.S. 5,076 out of 9,569 respondents refused to indicate their income information (6.21%), or indicated that they are single or do not have a partner in the household (49.35%) in the survey. I focus the analysis on a total of 4,493 responses that indicated each spouse's earnings in wages and salaries in the previous year. As the survey includes information about multiple members in each household but may be primarily completed by one person, the respondent is referred to as a "reference person" and the other spouse is referred to as "his/her spouse" ($M_{\text{age\_reference person}} = 47.98$, $M_{\text{age\_spouse}} = 45.97$).

Based on the individual yearly wage and salary of the reference person and their spouse from the previous year, I identified three types of couples in the dataset: those where neither spouse had indicated an income ($N = 567$, 12.62%)[1], those where only one spouse had indicated an individual income greater than zero (i.e., single income households, $N = 1{,}172$, 26.09%), and those where both spouses had indicated individual incomes greater than zero (i.e., dual income households, $N = 2{,}754$, 61.30%), which reflects recent reports in the growing rate of dual income couples (Gitnux 2023). Since my goal is to examine the effect of income disparity among couples have incomes, the subsequent analyses focus on the first and second types.

Income Disparity. The dataset included each spouse's individual income level from the previous year. Using this measure, I constructed the income inequality between partners measure by taking the absolute difference between the two spouses' individual income from the previous year, following prior work (Madrigal, Havitz, and Howard 1992; Scanzoni and

[1] Many of these spouses had indicated living off of government welfare (i.e., ADC/TANF income, SSI incomes, VA pension, or unemployment incomes), retirement incomes, or earnings from existing assets (i.e., rent, dividend, interests), for which it is difficult to determine each spouses' contribution to the household.

Godwin 1990). The average income disparity across all respondents was $46,649.37 (SD = $75,721.14). Next, I log-transformed income disparity to reduce the skewness of the data (Davis and Herr 2014; Fernbach, Kan, and Lynch Jr 2015), and use mean-centering in my analyses to reduce multicollinearity (Mukhopadhyay, Sengupta, and Ramanathan 2008).

Combined Income. To test the moderating role of the combined income level of the married couple, I constructed a combined income variable by taking the sum of the two spouse's individual income from the previous year. The average combined income across all samples was $99,667.64 (SD = $95,231.42). Similar to income disparity, I use the log-transformed and mean-centered values in my analyses.

Spending on Joint Consumption. The dataset also surveyed each household's actual monthly expenditures across a variety of product categories[2]. Following the body of work that demonstrates home and vehicle purchase decisions as one of the most substantial and important spending decisions that spouses make together (Munsinger, Weber, and Hansen 1975; Qualls 1987), in this study, I focus on three expenditure items to examine as my dependent variables: rent (i.e., "About how much rent do you pay a month?"), monthly mortgage payment (i.e., "How much are your monthly mortgage payments?"), vehicle loans (i.e., "How much are your payments of vehicle loan?"). Consistent with income disparity and combined income, I also log-transformed the amount spent on all three items. Thus, the analyses include samples who indicated that they make payments for rent, mortgage, or vehicle. This left us with 1,272, 2,095, and 1,391 data points for each analysis respectively.

[2] The full set of items in the data included other expenditures, such as dining out (i.e., "About how much do you (and everyone else in your family) spend eating out?"), medical expenses (i.e., "About how much did you (and your family) pay out-of-pocket for nursing home and hospital bills in 2018?"), and education bills (i.e., "How much in total were these (school-related) expenses?" "Altogether, how much were these other (school) expenses?"). While all of these expenses were incurred at the household level, there is greater ambiguity in whether the purchase was made to be consumed jointly or individually, for several items. For instance, dining out at a restaurant may include other individuals, such as friends and co-workers, or it may be done alone. Alternatively, expenses such as medical and education bills may be out of the control of either spouse (e.g., depending on coverage offered by the insurance company or their children's preferences).

Results

Monthly Rent Expenditure. Monthly Rent Expenditure. A floodlight analysis was conducted with income disparity as the predictor, combined income as the moderator, and monthly rent expenditure as the outcome. Supporting my predictions, the analysis revealed a significant interaction effect (R^2 change = .024, $F(1, 1268) = 38.309$, $p < .001$). Specifically, for spouses who had higher levels of combined income (greater than .077, around $62,931, 44.58% of the participants), disparity in their individual income level had a positive impact on their monthly rent expenditure ($b = .015$, SE = .008, $t = 1.962$, $p = .050$). However, for spouses who had lower levels of combined income (less than -.227, around $31,070, 21.46% of the participants), disparity in their individual income level had a negative impact on their monthly rent expenditure ($b = -.017$, SE = .009, $t = -1.962$, $p = .050$).

Monthly Mortgage Expenditure. A floodlight analysis with income disparity as the predictor, combined income as the moderator, and monthly mortgage expenditure as the outcome was conducted. Similar to the results of monthly rent expenditure, the analysis revealed a significant interaction effect (R^2 change = .031, $F(1, 2091) = 80.539$, $p < .001$). Specifically, for spouses who had higher levels of combined income (greater than .092, around $118,750; 40.62% of the participants), disparity in their individual income level had a positive impact on their monthly mortgage expenditure ($b = .013$, SE = .007, $t = 1.961$, $p = 0.050$). However, for spouses who had lower levels of combined income (less than -.104, around $75,393; 29.69% of the participants), disparity in their individual income level had a negative impact on their monthly mortgage expenditure ($b = -.015$, SE = 0.007, $t = -1.961$, $p = .050$).

Monthly Vehicle Loan Expenditure. A similar floodlight analysis with income disparity as the predictor, and combined income as the moderator was conducted with

monthly vehicle loan expenditure as the outcome. The analysis again revealed a significant interaction effect (R^2 change = .009, $F(1, 1391) = 13.317$, $p < .001$). Specifically, for spouses who had higher levels of combined income (greater than .250, around $150,458; 19.14% of the participants), disparity in their individual income level had a positive impact on their monthly vehicle loan expenditure ($b = .016$, SE = .008, $t = 1.962$, $p = .050$). However, for spouses who had lower levels of combined income (less than -.402, around $33,500; 8.89% of the participants), disparity in their individual income level had a negative impact on their monthly vehicle loan expenditure ($b = -.019$, SE = 0.009, $t = -1.962$, $p = .050$).

Discussion

In sum, study 1 provided real-world evidence for H1. Using real expenditures that married couples report to have incurred and their actual individual income level, I find that income disparity significantly impacted their spending on joint consumption. Importantly, income disparity played a different role for romantic partners with higher combined income versus lower combined income. When their combined income was high, couples with greater income disparity spent more on housing and vehicles, but when their combined income was low, couples with less income disparity spent more on housing and vehicles.

STUDY 2: MEDIATING ROLE OF PERCEIVED FINANCIAL WELL-BEING AS A COUPLE

Study 2 has three objectives. First, I aim to replicate the findings from Study 1 and test the underlying mechanism. My theorizing suggests that income disparity impacts perceptions of greater (vs. less) financial well-being as a couple, which translates into more

(vs. less) spending on joint consumption decisions, such as deciding how much they would be willing to pay for a car to use together. Study 2 tests this prediction by measuring perceived financial well-being as a couple and testing its role as a mediator. Second, this study also measures the spending on individual consumption decisions (i.e., purchase for partner or self). This allows me to test whether income disparity among couples influences only spending on joint consumption or increases spending generally, which provides additional support for the theorization. Third, this study tests an alternative explanation that couples with greater income disparity tend to treat the spending more on joint consumption as a signal of relationship commitment to their partners. To test this possibility, this study measures signaling of relationship commitment.

Design & Participants

This study used a three-cell (product user: joint vs. partner vs. self) between-subjects design (with pre-registration at https://aspredicted.org/NVW_6VX).1237 U.S. participants (M_{age} = 40.95, 40.0% male) from Connect completed this study. Specifically, as this study aimed to measure the income disparity that participants have with their romantic partners, I recruited participants who had either reported their relationship status as married or in a committed relationship. Participants first answered several demographic questions at the beginning of the study, including their age, gender, and marital status. Only participants who reported being married or in a committed relationship could proceed to the main survey.

Measures

Spending on Car. When the participants entered the main survey, they were first asked to indicate how much they would be willing to pay with their romantic partner, if they were to move to purchase a new car that would be used jointly, by themselves, or by their partners ("Please imagine that, as a couple, you and your partner recently decided to buy a car to use together [you and your partner recently decided to buy a car for your partner/you and your partner recently decided to buy a car for yourself]. You and your partner will pay for the car together, and you and your partner will fully share the car for various occasions [but your partner will fully use the car for various occasions by himself/herself, and you will not use this car/but you will fully use the car for various occasions by yourself, and your partner will not use this car] Considering the following ranges of price and features of car options, which one would you prefer to use together as a couple? (in US Dollar amount)", 1= "Less than $15,000", 2= "$15,001-$25,000", 3 = "$25,001-$35,000", 4 = "$35,001-$45,000", 5 = "$45,001-$55,000", 6 = "$55,001-$65,000", 7 = "$65,001-$75,000", 8 = "$75,001-$85,000", 9 = "More than $85,001").

Perceived Financial Well-being as a Couple. I then asked participants to indicate their perceived financial well-being as a couple using two items. The first item was adapted from the socioeconomic status (SES) measurement. Specifically, using a visual aid (i.e., a 9-rung ladder), participants were asked to think about the ladder as a representation of where people stand in their socioeconomic status in the U.S. They were asked, "Where would you place your economic status as a couple on this ladder?" (1 = "a lower economic status as a couple", 9 = "a higher economic status as a couple"). A second item asked about their wealth as a couple. They were asked, "What do you think your wealth level as a couple is in society? (1 = "a lower wealth position as a couple", 9 = "a higher wealth position as a couple"). These two items (r = .87, p < .001) were averaged to form an index of the perception of financial well-being level as a couple.

Check Measure: Pooling of Incomes. Afterward, I measured the pooling of incomes with three items: “When you were selecting the car option, to what extent did you think that your and partner’s earnings will be pooled?” (1 = “strongly disagree”, 9 = “strongly agree”). “Your and partner's earnings are possessed by each person or both of you?” (1 = “each person possesses each person's earnings”, 9 = “both of us possess both earnings”); “Your and partner's earnings are shared?” (1 = “not shared at all”, 9 = “shared”).

Alternative Account: Signal of Relationship Commitment. I then measured the signaling of relationship commitment by asking: “When you were selecting the car option, to what extent did you think that spending a greater amount of money for the car signals that…1. Our relationship is close; 2. Our relationship is important in our lives; 3. I am very attached to the relationship-very strongly linked to each other” (1 = “strongly disagree”, 9 = “strongly agree”).

Income Disparity and Combined Income. Finally, participants reported their own incomes (i.e., “Please give your best estimation of your yearly income in U.S. dollars) and their romantic partner’s income (i.e., “Please give your best estimation of your partner’s yearly income in U.S. dollars”). Using these measured income levels from both romantic partners, I was able to derive indices for income disparity and combined income, consistent with Study 1. I again took the absolute difference between the two romantic partner’s individual incomes and log-transformed the value to create an income disparity index. I also took the total of the two romantic partner’s income and log-transformed the value to create a combined income index. Both measures were mean-centered.

Results

Spending on Car. The three-way interaction between income disparity, combined income, and product user on car spending was tested first with PROCESS macro (Hayes 2017; Model 3, 5000 bootstraps). The results indicated a significate interaction effect (R^2 change = .006, $F(2, 1225) = 4.743$, $p = .009$). More importantly, the interaction effect of couples' income disparity and combined income was only significant when the car was purchased for couples' joint usage ($p < .001$), but not when the car was used fully by partner ($p = .543$) or self ($p = .296$).

To further test the proposed pattern in the joint usage condition, a floodlight analysis was conducted with income disparity as the predictor, combined income as the moderator, and spending on car as the outcome. The analysis revealed a significant interaction effect (R^2 change = .173, $F(1, 408) = 91.152$, $p < .001$). Specifically, replicating the results of study 1, for couples who had higher levels of combined income (greater than -.053, around $80,000; 64.56% of the participants), the disparity in their individual income level had a positive impact on how much they were willing to spend on car ($b = .127$, SE = .065, $t = 1.966$, $p = .050$). However, for couples who had lower levels of combined income (less than -.516, around $27,000; 6.1% of the participants), the disparity in their individual income level had a negative impact on how much they were willing to spend on car ($b = -.143$, SE = .073, $t = -1.966$, $p = .050$). To test for robustness, I conducted a similar floodlight analysis with marital status as a covariate. The interaction remained significant with a similar pattern (R^2 change = .171, $F(1, 407) = 91.139$, $p < .001$).

Perceived Financial Well-being as a Couple. The three-way interaction between income disparity, combined income, and product user on perceived financial well-being as a couple was also tested with PROCESS macro (Hayes 2017; Model 3, 5000 bootstraps). The results revealed a significant interaction (R^2 change = .006, $F(2, 1225) = 5.897$, $p = .003$). Specifically, in the joint usage condition, the interaction between income disparity and

combined income on perceived financial well-being as a couple was significant ($p < .001$), however, it was not significant when the car was purchased for partner ($p = .118$) or self ($p = .317$).

A similar floodlight analysis was also conducted to test the pattern in the joint usage condition. Supporting H2, for couples with higher levels of combined income (greater than .061, around $104,000; 47.09% of the participants), the disparity in their individual income level had a positive impact on the financial well-being they felt as a couple ($b = .118$, SE = .060, $t = 1.966$, $p = .050$). However, for couples with lower levels of combined income (less than -.338, around $40,000; 9.95% of the participants), the disparity in their individual income had a negative impact on the financial well-being they felt as a couple ($b = -.125$, SE = .064, $t = -1.966$, $p = .050$). Moreover, a moderated mediation analysis with PROCESS Macro (Hayes 2017; Model 8, 5000 bootstraps) revealed a significant index of moderated mediation (*index* = .158, SE = .037, CI = [.089, .234]).

Check Measure: Pooling of Incomes. I averaged the items to form the scores of pooling of incomes ($\alpha = 0.821$). I did not find a significant three-way interaction between income disparity, combined income, and product user on the pooling of incomes (R^2 change < .001, $F(2, 1225) = .016$, $p = .984$). Moreover, the two-way interaction between income disparity and combined income on pooling of incomes was not significant across all product user conditions (all *p*s > .207).

Alternative Account: Signal of Relationship Commitment. I also averaged the items to form the scores of signal of relationship commitment ($\alpha = 0.980$). The three-way interaction on the signal of relationship commitment was also not significant (R^2 change < .001, $F(2, 1225) = .089$, $p = .915$). Furthermore, the results also did not show significant two-way interaction among all product user conditions (all *p*s > .737). Therefore, the alternative

account based on signal of relationship commitment is not likely to drive the effect of income disparity.

Exploratory Analysis. To explore whether the spending on car is influenced by the participants' incomes or their partners' incomes, I added them as the covariates in the three-way interaction analysis. First, the results indicated that there was still a significant three-way interaction with participants' own incomes as the covariate (R^2 change = .004, $F(1, 1228) = 6.391$, $p = .012$). I found that the two-way interaction of income disparity and combined income on car spending was not only significant in the joint usage condition ($p < .001$), but also when the car is fully used by partner ($p < .001$). The two-way interaction was still not significant when the car is purchased for self-usage ($p = .566$). Second, I also found a significant three-way interaction on car spending with spouses' incomes as the covariate (R^2 change = .006, $F(1, 1228) = 8.958$, $p = .003$). Similarly, the two-way interaction on car spending was significant for both the joint usage and partner usage conditions ($p < .001$), and it remained not significant when it was purchased for self-usage ($p = .392$).

One may also wonder if the spending is influenced by the higher earner in the relationship, thus I coded the earning status (i.e., higher earner vs. lower earner) among the spouses and ran the three-way interaction between income disparity, combined income, and earning status across each product user condition. The results did not show a significant influence on the earning status when the car is purchased for self-usage (R^2 change = .004, $F(1, 372) = 1.659$, $p = .199$), partner's usage (R^2 change = .005, $F(1, 373) = 2.025$, $p = .156$), or joint usage (R^2 change < .001, $F(1, 375) = .019$, $p = .890$). Therefore, this study also indicates that the spending on joint consumption is not explainable by couples' individual incomes or their relative earning status.

Discussion

Study 2 replicated the findings from study 1 in a hypothetical new car context, such that for couples with higher levels of combined income, income disparity increases willingness to spend on joint consumption, but for couples with lower levels of combined income, income disparity decreases willingness to spend on joint consumption. I also found that the income disparity only influences spending for joint consumption but not for individual consumption, it may be because income disparity only impacts perceptions as a couple (i.e., wealth level), which influences their joint consumption behaviors. Importantly, Study 2 further demonstrated the proposed underlying mechanism, that greater (vs. less) income disparity heightens perceived financial well-being as a couple for those with high combined income, but it instead lowers perceived financial well-being for couples with low combined income. In addition, study 2 tested and ruled out an alternative account that income disparity may impact signaling of relationship commitment, which could, in turn, impact spending on joint consumption.

While studies 1 and 2 demonstrated real-world and hypothetical consequences of income disparity between romantic partners, they also had limitations as income disparity was measured. It could be that measured income disparity not only indicates a difference in the two individual's income levels but also implies different statuses or lifestyles. For example, a couple that is financially well-off and has greater (vs. less) income disparity may be more (vs. less) likely to come from a family of higher status and feel less (vs. more) compelled to save, or they may enjoy more (vs. less) vacation days that would allow them more time to shop and choose to maximize options (vs. satisfice; Schwartz et al. 2002). I address these limitations in the next study by manipulating the perceived income disparity between romantic partners and measuring participants' spending on a new home.

STUDY 3: MANIPULATING INCOME DISPARITY (PLANNED)

Study 3 aims to manipulate couples' income disparity, rather than measure it. To do so, I will give feedback to participants after they indicate their and their partner's income, that their income disparity is low versus high.

Design & Participants

This study will employ a 2 (income disparity: less vs. greater) × measured combined income mixed design. Participants will be randomly assigned to one of the two income disparity conditions. This study will be conducted with 400 Prolific participants who report being either married or in a committed romantic relationship, similar to study 2.

Participants will be first asked to indicate their own and their partners' individual yearly income amounts. Then, participants in the less income disparity condition will receive feedback that read: "We have compared your and your partner's income levels based on household income reports in 2022. Based on these statistics, the difference between your and your partner's income is in the bottom 8% in society. In other words, your income disparity as a couple is very small, meaning that your and your partner's income levels are very similar." However, participants in the greater income disparity condition receive feedback that read: "We have compared your and your partner's income levels based on household income reports in 2022. Based on these statistics, the difference between your and your partner's income is in the top 8% in society. In other words, your income disparity as a couple is very large, meaning that your and your partner's income levels are very different."

Measures

Combined Income. Consistent with the procedures in studies 1 and 2, I will combine both partners' individual income and log-transformed it to form a combined income index. This value will be mean-centered for analyses.

Spending on Rent. After receiving the manipulation, participants will be asked to indicate how much they would be willing to spend on rent for a new home with their romantic partner, similar to the item used in study 2 (i.e., "As a couple, imagine that you and your partner recently decided to move houses. You and your partner will jointly pay for the rent. Considering the following levels of monthly rent, which one would you prefer? (in US Dollar amount)", 1= "Below $500", 2= "$500-$1,000", 3 = "$1,001-$1,500", 4 = "$1,501-$2,000", 5 = "$2,001-$2,500", 6 = "$2,501-$3,000", 7 = "$3,001-$3,500", 8= "$3,501-$4,000", 9= "More than $4000").

Check Measure: Pooling of Income. Next, the pooling of income among the romantic partners will be measured by asking "To what extent are yours and your partner's income separate vs. shared" (1 = "completely separate", 9 = "completely shared").

Other Variables. I will ask an exploratory open-ended measure that asked how participants had imagined paying for the rent together (i.e., "When you were thinking about the amount of rent that you would like to select for a new place to cohabitate with your partner, how did you imagine that you would pay for it together? For example, how would you split the costs?"). Participants then will complete a manipulation check of income disparity ("Do you think your income level and your partner's income level are very similar versus different? 1= "very similar", 9 = "very different"). Finally, they will indicate their relationship satisfaction and the length of relationship by answering "How satisfied are you in your relationship with your partner" (1 = "not satisfied at all", 9 = "very satisfied") and "How long have you and your romantic partner been together (in years)?".

Expected Results

Manipulation Check. I expect to find that a one-way ANOVA with income disparity as the predictor support that the manipulation is successful. Participants in the greater income disparity condition perceive that their and their partner's income have significantly greater disparity, compared to the less income disparity condition.

Spending on Rent. A floodlight analysis will be conducted with manipulated income disparity as the predictor, combined income as the moderator, and spending on rent as the outcome. I expect that the analysis reveals a significant interaction effect, replicating previous studies that employed measured income disparity. Specifically, when a couple's combined income is greater than a value, those in the greater (vs. less) income disparity condition spend more (vs. less) on rent. However, when a couple's combined income is less than a value, those in the greater (vs. less) income disparity condition spend less (vs. more) on rent. I will conduct a robustness check by adding the relationship satisfaction and relationship length as covariates in the analysis, and I expect to find that the interaction holds significance.

Check Measure: Pooling of Income. I expect that a one-way ANOVA with income disparity on the pooling of income among partners will not reveal a significant effect. Moreover, a floodlight analysis with income disparity as the predictor, combined income as moderator, and pooling of incomes as the dependent variable will not reveal a significant interaction.

Discussion

Study 3 plans to use manipulated income disparity to replicate the findings from studies 1 and 2 by presenting different feedback after participants indicated the spouses' yearly incomes. Study 3 will show that the perceived disparity of spouses' incomes could be temporally changed and it induced similar effects on joint consumption decisions of the measured disparity. The results will support the H1 again by demonstrating that greater disparity between couples' incomes leads to more spending on joint consumption when their combined income level is relatively high, however, less income disparity tends to increase spending mount of couples' joint consumption when their combined income level is relatively low.

STUDY 4: MODERATION ROLE OF INTERVENTION (PLANNED)

This study aims to test the theorization that the disparity of couples' individual incomes influences joint consumption because they anchor on different earners in wealth perception. My theorizing is that income disparity impacts couples' spending on joint consumption because they focus on either the lower earner or the higher earner's income level. This spending behavior is particularly interesting, because as I theorize above, one couple may be spending more (a couple with $160,000 and $40,000 annual salaries) than another couple (a couple with $110,000 and $90,000 annual salaries), even though their combined income is similar. I will employ a simple intervention in this study to nudge some participants to calculate their combined income, to shift their focus from one person's income level, before indicating purchase intent.

Design & Participants

This study will adopt a 2 (income disparity: less vs. greater) × 2 (intervention: calculate combined income vs. control) × measured combined income mixed design. Following the procedures in study 2, I plan to recruit 600 MTurk participants who are either in committed relationships or married.

Participants will be first asked to provide information on their own and their partner's annual incomes. They will be then provided with different feedback concerning the income disparity between them and their partners as in study 2. In the calculation intervention condition, I ask participants to estimate the combined incomes of themselves and their partners, and they indicate their choice in a hypothetical travel consumption. In the control condition, participants proceed to the joint consumption choice directly.

As the dependent measure, I will ask about participants' choice of travel consumption. Specifically, they will be told that "As a couple, imagine that you and your partner recently decided to have a week-long stay vacation together. You and your partner will jointly pay for the vacation. Considering the following ranges of price and features of vacation options, which one would you prefer? (in US Dollar amount)" (1 = Less than $500, 2 = $500- $1,000, 3 = $1,001-$1,500, 4 = $1,501-$2,000, 5 = $2,001-$2,500, 6 = $2,501-$3,000, 7 = $3,001-$3,500, 8 = $3,501-$4,000, 9 = More than $4,000).

Finally, participants will respond to the same manipulation checks used in study 3. I will also measure participants' marriage length and the number of children as control variables.

Expected Results

Manipulation Check. A one-way ANOVA with income disparity as the predictor will show that the feedback manipulation successfully affects participants' perceived income disparity. Participants in the greater income disparity condition will perceive that their and

their partner's income have significantly greater disparity, than those in the less income disparity condition.

Spending on Travel. Similar to previous studies, combined income will be log-transformed and mean-centered before analysis. The three-way interaction will be tested by PROCESS macro (Hayes, 2017; model 3, 5000 bootstraps) entering income disparity as the independent variable, combined income as the moderator, and intervention as the second moderator. As predicted, I expect to find a significant three-way interaction between income disparity, combined income, and intervention. The effect holds with marriage length and the number of children as the covariates. Moreover, the proposed interaction effect between income disparity and combined income will be replicated in the control condition. The floodlight analysis results will reveal that when a couple's combined income is greater than a value, those in the greater (vs. less) income disparity condition spend more (vs. less) on the travel choice. When a couple's combined income is less than a value, those in the greater (vs. less) income disparity condition spend less (vs. more) on travel. However, the interaction between income disparity and combined income will not be significant when participants are asked to calculate their and their partner's combined incomes. Therefore, H3 is supported.

Discussion

This study will support the theorization of the anchor effect in perceived financial well-being as a couple. I may find that couples with greater income disparity are more likely to apply the higher earner as the anchor when their combined incomes are relatively higher, thus perceiving a greater wealth level and spending more on traveling consumption; while greater income disparity makes couples anchor on the lower earner when their combined incomes are relatively lower, making them perceive lower wealth level and spend less on

traveling. Most importantly, the effect will be attenuated when couples are asked to calculate their combined income, in such a way the anchor is less likely to impact their decisions.

CHAPTER 4. GENERAL DISCUSSION

This research examined the impact of income disparity among romantic partners on their joint consumption decisions. I showed that income disparity differently influences couples with high or low combined income. For couples with high combined income, greater income disparity makes them anchor on the higher earner and increases their perceived financial well-being as a couple, thus motivating them to spend more on joint consumptions. However, for couples with lower combined income, greater income disparity triggers them to anchor on the income level of lower earners and leads them to perceive lower financial well-being as a couple and thereby spend less on joint consumptions. Importantly, this research also indicated that the proposed effect only exists on joint consumption, which is a unique context of sharing information and connectedness in couples' joint decisions. I also showed that introducing a calculation intervention attenuates the proposed effect, therefore providing additional support to the mechanism.

Theoretical Contributions

Past research on couples' financial decision making has primarily focused on individual decisions (Brick, Wight, and Fitzsimons 2023; Fitzsimons et al. 2015; Garbinsky and Gladstone 2019; Garbinsky et al. 2020; Nikolova and Nenkov 2022). For example, Nikolova and Nenkov (2022) show that after making progress on a joint goal (e.g., saving money) with their romantic partner, the individual with greater relationship power may be

more likely to deviate from the goal and engage in self-indulgent, self-goal-related consumption (e.g., enjoy a nice meal without partner instead of saving money). Couples are more likely to choose to purchase utilitarian products rather than hedonic ones when they pool their finances into one account (versus using separate accounts), due to a greater need to justify their consumption (Garbinsky and Gladstone 2019). Extending this stream of research, this work revealed that income disparity among romantic partners influences their spending amount on joint consumptions, specifically, income disparity increases couples' spending when their combined income is high while the impact is reversed when the couples' combined income is low.

This research also adds new insights to the literature on income disparity in romantic relationships. Classic work on income disparity has mainly explored its influence among a country, district, family, or individual level (i.e., Buttrick and Oishi 2017; Dubois et al. 2015; Walasek and Brown 2015). This work showed that the income disparity exists among a dyad level (i.e., romantic relationship), and it has a significant impact on couples' financial well-being and consumption decisions. This finding helps us understand the potential downstream consequence of income disparity in general and in the romantic relationship specifically.

Last, the findings contribute to the extant literature on financial well-being. Extant research has found that consumers' financial capability, financial management behaviors, and psychological beliefs influence their financial well-being (Birkenmaier, Rothwell, and Agar 2022; Chatterjee, Kumar, and Dayma 2019; Dew and Xiao 2011; Kappes, Gladstone, and Hershfield 2021). This work showed that the income disparity with romantic partners also shapes people's perceived financial well-being. Importantly, the finding suggested that income disparity has the opposite impact on financial well-being for couples with high or low combined income.

Limitations and Future Research

While this research documents a robust phenomenon and the converging evidence for the proposed effect of income disparity among romantic partners, this research has several limitations that are worthwhile for future research.

First, although this research investigated the impact of income disparity in romantic relationships, it is not clear whether the effect exists in other relationships (i.e., friends, colleagues, or family members). The romantic relationship is different from other relationship types as a result of the unique sharing of identity, resources, and goals (Cakanlar, Nikolova, and Nenkov 2023; Hasford, Kidwell, and Lopez-Kidwell 2018). In this research context, it is likely that couples treat their own and partners' income as a unified source, thereby they may use the higher earner or lower earner as the anchors in perceiving financial well-being. However, it may not happen in other relationships, as the disparity in income and status can evoke envy and motivation to compete in friendships and co-working relationships (Anderson et al. 2012; Dupor and Liu 2003; Fiske 2010; Ordabayeva and Chandon 2011). Therefore, the proposed effect of income disparity may not held in other relationship contexts, future research could explore this possibility.

Second, the present research focused on the general spending amount on joint consumption as the outcome, future research may probe into more specific consumption types or product categories. For example, prior research found that individuals who use money from joint bank accounts are more likely to purchase utilitarian products rather than hedonic ones as they face the pressure of justifying their choice to partners (Garbinsky and Gladstone 2019). Could the income disparity motive people to purchase a specific type of product? How the higher earner and the lower earner might behave differently in consumption? These questions are fruitful for future research.

Third, it is also worth exploring to potential gender effect in the future. Although this research did not find that gender play a role in the effect, it is still possible that some people who hold strong gender stereotype may respond differently to the income disparity among relationship. Literature on marriage and family showed that men who believe in the traditional masculinity ideology view income disparity as an important factor in their relationship quality (Coughlin and Wade 2012) and the wife's relative income to the husband is U-shaped related to the husband's psychological stress (Syrda 2020). Thus, future research could explore the potential influence of gender stereotypes.

Practical Implications

The findings suggested how income disparity influences couples' spending amount on joint consumption decisions across relatively rich or poor families. The results are valuable for marketing managers, policymakers, and consumers. For marketing managers, when they want to promote very high-end products for couples (i.e., luxury houses or travel packages), it is more beneficial for them to target not only those who have greater combined income but also greater income disparity within the couple. For example, they may place the product advertisement in communities where couples' income disparity is relatively greater. For policymakers, this study also helps them understand how income disparity may impact joint consumption, wealthy couples with greater income disparity may be willing to take risks (i.e., mortgage) to enjoy luxury joint consumptions, while poor couples with greater income disparity may live in too spendthrift lifestyle. They can educate consumers that their perception of financial well-being is biased due to the influence of income disparity thereby reducing the influence of income disparity. Last, consumers could also benefit from this research by understanding the influence of income disparity in their joint consumption with

romantic partners, therefore they may be more rational about the expenditure of joint consumption and save more money together.

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