

MARRIAGE, PENALIZED

— *Does Social-Welfare Policy Affect Family Formation?* —

BENEFITS

MARRIAGE



—
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Executive Summary

Today, more than four in ten families in America receive some kind of means-tested government assistance, from Medicaid to food stamps. The expanding reach of the welfare state means that a substantial share of lower-middle-class couples with children receive such aid—and many of these couples receive more generous support if they are unmarried. That’s especially the case if their total income as a cohabiting couple is not considered in determining their eligibility for assistance, as often appears to be the case. To use the term of public policy analysts, these couples face a “marriage penalty,” where it makes more financial sense for them to cohabit rather than marry. Our analysis of American couples whose oldest child is two years or younger indicates that 82 percent of those in the second and third quintiles of family income (\$24,000 to \$79,000) face this kind of marriage penalty when it comes to Medicaid, cash welfare, or food stamps. By contrast, only 66 percent of their counterparts in the bottom quintile (less than \$24,000) face such a penalty.

But do the marriage penalties associated with means-tested policies in the U.S. matter when it comes to family formation?

The evidence from *Marriage, Penalized* is mixed. Three findings are particularly noteworthy:

- 1– Our data show that the presence of marriage penalties does not affect marriage patterns among unmarried couples in urban America who have just had a baby, or among couples with children two and under whose income falls close to the lower threshold of the marriage penalty facing such couples, that is, for couples whose joint income is close to a level where they would still qualify for means-tested benefits were they to marry. Most in this latter group are in the lowest two quintiles of family income for families with children two and under (less than \$48,000). We also find no evidence that marriage penalties associated with Temporary Assistance for Needy Families (TANF) reduce the odds of marriage among lower-income couples.

2- However, we do find that couples whose oldest child is two or younger whose income falls closer to the upper threshold of the marriage penalty—couples where each partner’s individual income is near the cut-off for means-tested benefits—are about two to four percentage points less likely to be married if they face a marriage penalty in Medicaid eligibility or food stamps. Most of these couples are in the second and third quintiles of family income for families with children two and under (\$24,000 to \$79,000).

3- Almost one-third of Americans aged 18 to 60 report that they personally know someone who has not married for fear of losing means-tested benefits.

In sum, our findings suggest that marriage penalties related to means-tested benefits do not discourage marriage among the poorest families in the U.S. But marriage penalties may play a role in discouraging marriage among lower-middle-class families.

Given the possibility that at least two major means-tested programs, food stamps and Medicaid, reduce the odds that American couples with children marry, we think that the federal government should consider the following four strategies to address the marriage penalties embedded within social-welfare policies:

1- In determining eligibility for Medicaid and food stamps, increase the income threshold for married couples with children under five to twice what it is for a single parent with children under five. Such a move would ensure that couples just starting a family do not feel pressured to forgo marriage just to access medical care and food for their families. The cost of this policy change would be limited, since it would only affect families with young children.

2- Offer an annual, refundable tax credit to married couples with children under five that would compensate them for any loss in means-tested benefits associated with marrying, up to \$1000. This would send a clear signal that the government does not wish to devalue marriage and, for couples, it would help to offset any penalties associated with tying the knot.

3- Work with states to run local experiments designed to eliminate the marriage penalty associated with means-tested policies. States could receive waivers to test a range of strategies to eliminate penalties in certain communities, and to communicate to the public that the penalties are no longer in force there. Successful experiments could then be scaled up to the national level in future efforts to reform means-tested policies.

4- Encourage states and caseworkers working with lower-income families to treat two-parent families in much the same way as they do single-parent families. For instance, states could ease the distinctive work requirements that many have in place for two-parent families receiving cash welfare. Reforms such as this one would put two-parent and single-parent families on a more equal footing when it comes to public assistance. More generally, policymakers and caseworkers should try to eliminate policies and practices that effectively discriminate in favor of single-parent families.

Steps like these are worth exploring, since this report and a number of other studies conclude that marriage penalties, or other aspects of means-tested assistance, may discourage lower- and moderate-income couples from marrying. In the 1960s and 1970s, social-welfare programs may have been most consequential for family formation among the poorest couples, largely because they were the ones most likely to participate in such programs. Today, however, the design of social-welfare policy may have the most influence on couples in the lower middle class. In light of the important role that stable marriage plays in preserving the American Dream for men, women, and children, federal and state policymakers should seek to reduce marriage penalties that increasingly confront lower-middle-class families. No one wants to see government efforts to support the lower middle class undermine the stability of the very families they are intended to help.

Marriage, Social-Welfare Policy, and Family Formation

Marriage, along with education and work, is a central pillar of the American Dream. Men and women who get and stay married are much less likely to be poor, and they enjoy substantially more family income and assets over the course of their lives, than their peers who are divorced or never-married.¹ Children are also much more likely to realize the American Dream if they are raised in an intact, married family: that is, they are more likely to succeed in school, be gainfully employed, and achieve upward economic mobility if they are raised in a family headed by two stably married parents.² In summarizing the research on marriage and child well-being, sociologist Sara McLanahan and economist Isabel Sawhill recently noted that “most scholars now agree that children raised by two biological parents in a stable marriage do better than children in other family forms across a wide range of outcomes.”³ What’s more: states in which more families are headed by married parents are more likely to promote upward mobility for poor children who grow up there, whether or not their own parents are married.⁴ In all these ways, the health of the American family is intertwined with the health of the American Dream.

Despite these facts, policymakers have not devoted nearly as much attention to marriage as they have to two other pillars of opportunity: education and work.⁵ This is somewhat understandable, as law and public policy may be less capable of directly encouraging marriage than promoting education and work. After all, recent efforts to strengthen marriage, such as President George W. Bush’s Healthy Marriage Initiative, have met with mixed success.⁶

Even though direct efforts to promote marriage have not shown much impact, it’s still possible that public policy is affecting marriage rates, just in a negative direction. That’s because multiple public policies—especially means-tested transfer programs such as Medicaid and food stamps—unintentionally penalize marriage for many lower-income couples and families. And given increases in the size and scope of means-tested programs, today these marriage penalties often affect not the poorest couples but rather working-class and lower-middle-class ones. It is among these families, of course, that marriage has lost the most ground in the last thirty years.⁷

¹ AEI/Brookings Working Group on Poverty and Opportunity, *Opportunity, Responsibility, and Security: A Consensus Plan for Reducing Poverty and Restoring the American Dream* (Washington, DC: AEI/Brookings Institution, 2015); Robert Lerman and W. Bradford Wilcox, *For Richer, For Poorer: How Family Structures Economic Success in America* (Washington, DC: AEI/Institute for Family Studies, 2014); Linda J. Waite, “Does Marriage Matter?” *Demography* 32, no. 4 (1995): 483–507; Julie M. Zissimopoulos, Benjamin R. Karney, and Amy J. Rauer, “Marriage and Economic Well-Being at Older Ages,” *Review of Economics of the Household* 13, no. 1 (2015): 1–35.

² Paul Amato, “The Impact of Family Formation Change on the Cognitive, Social, and Emotional Well-Being of the Next Generation,” *Future of Children* 15, no. 2 (2005): 75–96; Lerman and Wilcox, *For Richer, For Poorer*; Thomas DeLeire and Leonard M. Lopoo, *Family Structure and the Economic Mobility of Children* (Philadelphia, PA: The Pew Charitable Trusts, 2010).

³ Sara McLanahan and Isabel Sawhill, “Marriage and Child Wellbeing Revisited: Introducing the Issue,” *Future of Children* 25, no. 2 (2015): 4.

⁴ W. Bradford Wilcox, Joseph Price, and Robert I. Lerman, *Strong Families, Prosperous States: Do Healthy Families Affect the Wealth of States?* (Washington, DC: AEI/Institute for Family Studies, 2015).

⁵ See, for instance, Frederick M. Hess and Andrew P. Kelly, “A Federal Education Agenda,” *National Affairs* no. 13 (2012), and Michael R. Strain, “A Jobs Agenda for the Right,” *National Affairs* no. 18 (2014).

⁶ Ron Haskins, “The Family Is Here to Stay—or Not,” *Future of Children* 25, no. 2 (2015): 129–153.

⁷ W. Bradford Wilcox, *When Marriage Disappears: The New Middle America* (Charlottesville, VA: National Marriage Project/Institute for American Values, 2010).

This report seeks to answer three vital questions about the contemporary relationship between social-welfare policy and marriage in America:

- 1- Do means-tested programs such as Medicaid, food stamps, and cash welfare penalize marriage among lower-income families?
- 2- Which lower-income families are most likely to face marriage penalties?
- 3- Do marriage penalties affect Americans' odds of entering into marriage, particularly the odds of lower-income couples who have recently had a child together?

Our report focuses on three means-tested programs that play a major role in supporting lower-income families: Medicaid, Temporary Assistance for Needy Families (TANF), and food stamps (Supplemental Nutrition Assistance Program, or SNAP). Insofar as marriage continues to foster upward mobility, the answers to these questions help reveal whether and how public policy may be eroding, albeit unintentionally, one important pillar of the American Dream: the married family.

The Great Society and the Retreat from Marriage

Since the 1960s, the government has done much more to aid low-income families and individuals, with a raft of means-tested programs launching or dramatically expanding amid President Lyndon B. Johnson's Great Society initiative. Welfare benefits and caseloads increased markedly in the late 1960s and early 1970s as Aid to Families with Dependent Children (AFDC) expanded and Medicaid and food stamp programs launched.⁸ There is no doubt that the growth of the welfare state over the last half-century has reduced poverty in America.⁹ But, as Charles Murray argued in *Losing Ground* (1984), it may also have had "unintended effects" for aid recipients.¹⁰ Among other things, the expansion of federal and state support for poor families during the War on Poverty ended up penalizing marriage.

Murray's claim was that ordinary lower-income couples faced a dilemma after means-tested benefits became more widely available and more generous in the late 1960s. In the wake of the Great Society, many lower-income couples with children stood to lose thousands of dollars per year if they married, rather than simply living together.¹¹ According to Murray, the best strategy for many lower-income families for "maximizing income [was] clearly 'living together unmarried.'"¹² He believed that this calculus often led lower-income couples to forgo marriage and single women to have children on their own. His argument is consistent with rational choice theories of family life that assume that decisions to marry and have children are strongly influenced by some kind of economic cost/benefit analysis.¹³ Murray also contended that the financial advantages of public aid for single and cohabiting mothers—advantages that grew over time and frequently outweighed the advantages of marriage—contributed to the post-1960s retreat from marriage marked by increases in nonmarital childbearing and single parenthood.

Murray's argument proved controversial and helped spark a wave of research on the effects of social-welfare policy on marriage and childbearing. Some scholars have accepted the idea that shifts in government aid changed the economic calculus around questions of marriage and childbearing for the poor in ways that influenced family formation to some degree, while others contend that public assistance is largely irrelevant to decisions about marriage and childbearing.¹⁴ Critics of Murray's thesis argue that people are unlikely to make decisions about love and marriage based on a single type of income: means-tested assistance. A recent treatment of lower-income family life, *Promises I Can Keep: Why Poor Women Put Motherhood Before Marriage*, by sociologists Kathryn Edin and Maria

⁸ Rebecca Blank, "Trends in the Welfare System," in *Welfare, the Family, and Reproductive Behavior: Research Perspectives*, ed. Robert A. Moffitt (Washington, DC: National Research Council, 1998), 33–49.

⁹ Robert Doar and Kiki Bradley, *Welfare Reform to Promote Work and Marriage*, Room to Grow Series: Poverty (Washington, DC: Conservative Reform Network, 2015); Bruce D. Meyer and James X. Sullivan, "Winning the War: Poverty from the Great Society to the Great Recession," *Brookings Papers on Economic Activity* (fall 2012): 133–183; Scott Winship, "Actually, We Won the War on Poverty," *Politico*, January 24, 2014.

¹⁰ Charles Murray, *Losing Ground: American Social Policy, 1950–1980* (New York: Basic Books, 1984), 164.

¹¹ *Ibid.*, 161.

¹² *Ibid.*

¹³ Gary Becker, *A Treatise on the Family* (Cambridge, MA: Harvard University Press, 1981); Douglas J. Besharov and Neil Gilbert, *Marriage Penalties in the Modern Social-Welfare State*, R Street Policy Study No. 40 (Washington, DC: R Street Institute, 2015).

¹⁴ David T. Ellwood and Christopher Jencks, "The Spread of Single-Parent Families in the United States Since 1960," in *The Future of the Family*, ed. Daniel P. Moynihan, Timothy M. Smeeding, and Lee Rainwater (New York: Russell Sage, 2004), 25–65; William Julius Wilson and Kathryn M. Neckerman, "Poverty and Family Structure: The Widening Gap Between Evidence and Public Policy Issues," in *Fighting Poverty: What Works and What Doesn't*, ed. Sheldon H. Danziger and Daniel H. Weinberg (Cambridge, MA: Harvard University Press, 1986), 232–259.

Kefalas, suggests, for instance, that the quality of a couple's relationship and the man's work and income are the most salient factors in determining patterns of marriage and childbearing among lower-income couples.¹⁵ Another new study suggests that low-income couples grant relationship- and work-related factors primary consideration when it comes to making decisions about marriage, and give virtually no consideration to the costs or benefits of marriage associated with receiving the Earned Income Tax Credit (EITC).¹⁶ More generally, the work of sociologist Viviana Zelizer stresses that people attach different meanings to different types of money, especially when money interacts with important social relationships, like marriage and childbearing.¹⁷ In this view, when lower-income couples are making relationship and family decisions, the value of work-related income and the quality of the relationship may far outweigh the value of means-tested assistance.

The empirical scholarship on the effects of means-tested programs on family formation is mixed.¹⁸ Scholars have examined both how shifts over time in welfare policy affect marriage and childbearing and how state-to-state variation in the generosity of welfare is tied to differences on these two family outcomes, and their conclusions are not entirely consistent. Nevertheless, many scholars now think that welfare played a modest role in the retreat from marriage. According to economist Robert Moffitt, most researchers "believe there is an effect" of welfare on marriage and childbearing, but "the magnitude of any effect that is present is highly uncertain and unresolved." Moffitt added that the research suggests welfare has *not* been the primary driver of the decline of marriage.¹⁹ Our view is that the post-Great Society expansion of means-tested assistance, both in benefits and caseloads, contributed modestly to fueling the retreat from marriage, both by providing single parents with an alternative source of economic support and by penalizing marriage, but that shifts in the economy, such as a decline in less-educated men's real wages, and in the culture, such as the rise of expressive individualism, were more important factors.²⁰

Though there is a substantial body of research on the effects of post-Great Society programs on marriage and childbearing decisions, few scholars have examined the possibility that more recent changes in means-tested aid have affected the nexus between social-welfare policy and family formation.²¹ This is despite the fact that there have been major shifts since the late 1990s in the character and scope of the nation's major means-tested programs, such as Medicaid, Temporary Assistance for Needy Families (TANF), and Supplemental Nutrition Assistance Program (SNAP). Since welfare reform was enacted in 1996, with TANF replacing Aid to Families with Dependent Children, fewer Americans have received cash welfare, and welfare benefits have fallen. But other programs, including Medicaid and food stamps, have expanded. Overall, as social scientists Douglas Besharov

¹⁵ Kathryn Edin and Maria Kefalas, *Promises I Can Keep: Why Poor Mothers Put Motherhood Before Marriage* (Berkeley: University of California Press, 2005).

¹⁶ Laura Tach and Sarah Halpern-Meekin, "Tax Code Knowledge and Behavioral Responses Among EITC Recipients: Policy Insights from Qualitative Data," *Journal of Policy Analysis and Management* 33, no. 2 (2013): 413–439.

¹⁷ Viviana A. Zelizer, *The Social Meaning of Money: Pin Money, Paychecks, Poor Relief, and Other Currencies* (Princeton, NJ: Princeton University Press, 1997).

¹⁸ See, for example, Robert A. Moffitt, editor, *Welfare, the Family, and Reproductive Behavior: Research Perspectives* (Washington, DC: National Research Council, 1998).

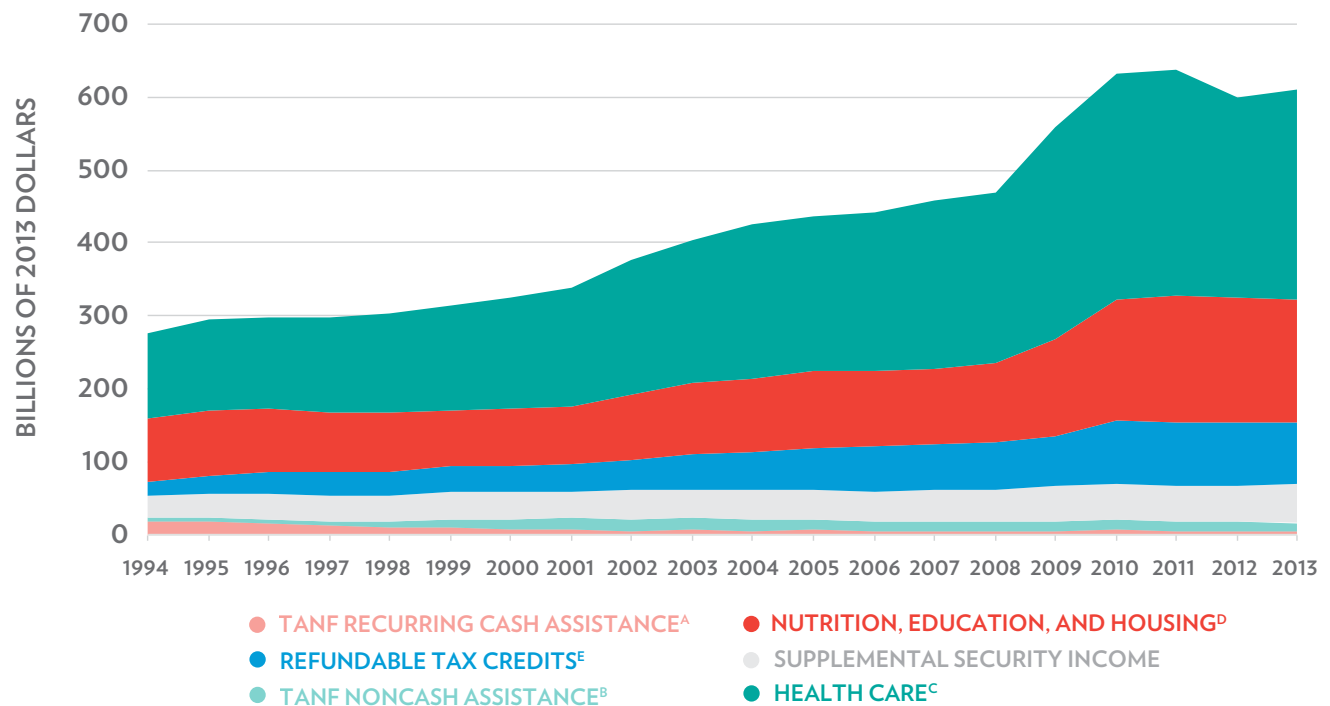
¹⁹ Robert A. Moffitt, "Introduction," in *Welfare, the Family, and Reproductive Behavior*, ed. Moffitt, 3.

²⁰ Daniel T. Lichter, Diane K. McLaughlin, and David Ribar, "Welfare and the Rise in Female-Headed Families," *American Journal of Sociology* 103, no. 1 (1997): 112–143; Sara McLanahan and Lynne Casper, "Growing Diversity and Inequality in the American Family," in *State of the Union: America in the 1990s*, vol. 1: *Economic Trends*, ed. Reynolds Farley (New York: Russell Sage Foundation, 1995), 1–46; W. Bradford Wilcox, Nicholas H. Wolfinger, and Charles Stokes, "One Nation, Divided: Culture, Civic Institutions, and the Marriage Divide," *Future of Children* 25, no. 2 (2015): 111–127.

²¹ But see Besharov and Gilbert, *Marriage Penalties in the Modern Social-Welfare State*; and Robert A. Moffitt, Brian J. Phelan, and Anne E. Winkler, "Welfare Rules, Incentives, and Family Structure," IZA Discussion Paper No. 9127 (IZA, 2015).

FIGURE 1

Federal spending on selected means-tested programs and tax credits, 1994 to 2013



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Source: Congressional Budget Office. Note: This figure is adapted from the Congressional Budget Office report *Temporary Assistance for Needy Families: Spending and Policy Options*.²³

Note: TANF = Temporary Assistance for Needy Families.

^a Before 1997, shows spending on Aid to Families With Dependent Children.

^b Includes nonrecurring cash assistance, which amounted to less than \$0.5 billion in most years. Before 1997, shows spending on the Job Opportunities and Basic Skills Training program and the Emergency Assistance program.

^c Consists of Medicaid and the low-income subsidy for Part D of Medicare, which provides prescription drug coverage.

^d Consists of the Supplemental Nutrition Assistance Program; child nutrition programs; the Federal Pell Grant Program; and a collection of housing programs, including Section 8 housing vouchers and public housing.

^e Consists of the refundable portions of the earned income tax credit and the child tax credit.

and Neil Gilbert showed in a recent report, *Marriage Penalties in the Modern Social-Welfare State*, “Adjusting for inflation, federal spending on the nine largest means-tested programs climbed from about \$77.6 billion in 1968 to about \$658 billion in 2011, an increase of about 748 percent.”²² Figure 1 illustrates the growth of federal spending on means-tested programs, including Medicaid, TANF, and food stamps (SNAP), in a more recent period, from 1994 to 2013.

²² Besharov and Gilbert, *Marriage Penalties in the Modern Social-Welfare State*, 5.

²³ Congressional Budget Office, *Temporary Assistance for Needy Families: Spending and Policy Options*, 17.



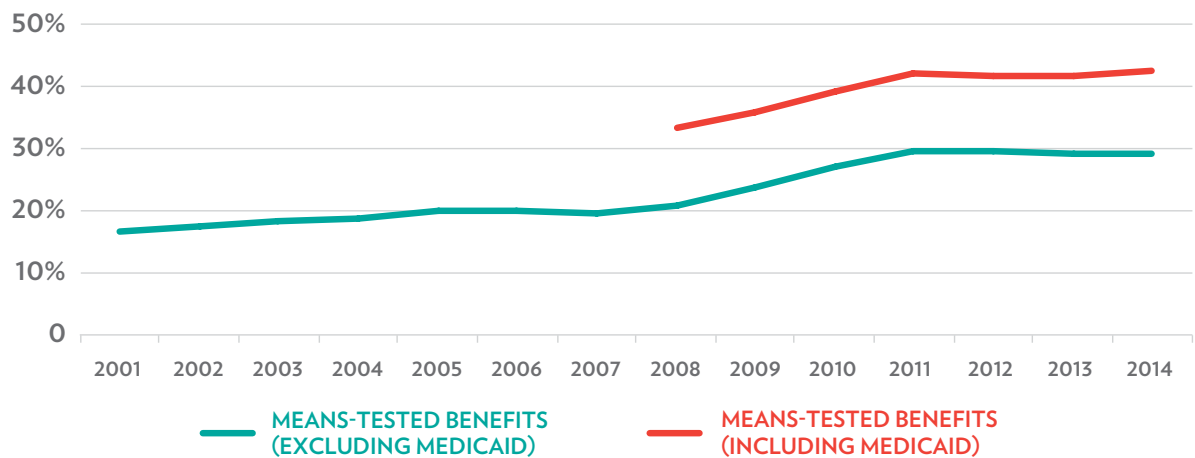
Benefits and Penalties

As Besharov and Gilbert observed in their report, the expanding scope of the welfare state means that an increasing share of American families receive some type of means-tested assistance from tax and transfer policies each year. **Figure 2** illustrates the growing share of families with children receiving means-tested assistance from transfer programs since 2001. Today, at least 43 percent of families with children 18 and under receive some kind of means-tested aid, from Medicaid to SNAP. For families with children five and under, the share reaches 47 percent; and for families who only have children two and under, that share is also 47 percent.²⁴ In other words, almost half of American families with young children receive direct financial support from the government.

The range of federal and state policies dedicated to helping lower-income families is wide and complex, and thus ends up rewarding some couples for getting married while penalizing others. In general, the worst-off couples with children—those whose earnings fall well below the income limit for tax and transfer programs—can reap a financial bonus if they marry. For instance, one study of the Earned Income Tax Credit (EITC) found that a majority of cohabiting couples with children who had a combined income under 200 percent of the poverty level would receive more money through the EITC if they married.²⁵ Likewise, a couple with one child where the father and mother each earn \$10,000 annually can receive more generous food stamps if they marry than if they are cohabiting and the woman applies for food stamps as a single mother. Overall, the poorest couples with children can end up with a marriage bonus in means-tested

FIGURE 2

Percentage of families with children 18 and under receiving means-tested benefits, 2001-2014



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Source: American Community Survey. Note: Means-tested benefits include TANF, SNAP, Supplemental Security Income, Social Security (pensions, survivor benefits, or disability insurance), and General Assistance, as well as Medicaid, where noted. Figure does not include all forms of government support; housing and child care assistance, for instance, are excluded, as is the EITC.

²⁴ Data from the 2014 American Community Survey indicate that 43 percent of families with children under 18, and 47 percent of families with children five and under, receive money from at least one of the following programs: Medicaid, TANF, SNAP, Supplemental Security Income, Social Security (pensions, survivor benefits, or disability insurance), or General Assistance. These figures do not include all forms of government support; housing and child care assistance, for instance, are excluded, as is the EITC.

²⁵ Gregory Acs and Elaine Maag, "Irreconcilable Differences?: The Conflict between Marriage Promotion Initiatives for Cohabiting Couples with Children and Marriage Penalties in Tax and Transfer Programs," No. B-66 in *New Federalism: National Survey of America's Families* (Washington, DC: Urban Institute, 2005).

benefits if they marry, insofar as adding a spouse to the household increases the benefits available to them, so long as the partners' combined income falls below program limits. This bonus, however, may be of less consequence given that marriage is now relatively uncommon among poor couples, in part because poor men tend not to be stably employed at a full-time job.²⁶ For the lowest-earning couples, the marriage bonus in government assistance may not offset the financial and psychic costs of uncertain male employment.

By contrast, lower- and moderate-income couples with children whose household incomes fall in the second and third quintiles of the family income distribution—in other words, their income is between the 20th and 60th percentile (for a couple with one child, two and under, that is \$24,000 to \$79,000)—are more likely to face marriage penalties, especially when it comes to means-tested programs like Medicaid, TANF, and food stamps. One study of an urban cohort of low-income unmarried couples with a recent birth found that it was more likely that a couple would face an EITC penalty than a bonus if they decided to marry.²⁷ The expansion of means-tested programs has moved marriage penalties higher up the income ladder to a level affecting more Americans.²⁸ That is, because the income limits for receiving some benefits like Medicaid and food stamps have been raised in recent years, marriage penalties increasingly apply to families in the lower middle class, but not to the poorest families. (Even as it grew more generous to lower-middle-class families in recent years, the welfare state has become less generous to the poorest ones.²⁹) The penalties facing lower-middle-class couples are sometimes substantial, reaching up to one-third of their combined income. They are especially severe when programs decide a cohabiting couple's eligibility based on just one partner's income rather than the joint income of the couple.³⁰

In this report, we focus primarily on investigating marriage penalties facing couples who have recently had a child. We do so because the literature suggests welfare-related penalties and premiums may be most influential when it comes to determining whether childbearing takes place in or outside of marriage, rather than other family outcomes, such as divorce.³¹ The research also indicates that the time around the birth of a child may be a “magic moment” when unmarried couples are especially likely to consider marriage.³²

As the aforementioned numbers imply, the share of American families receiving government assistance is substantial. **Figure 3a**, which breaks down the numbers for three major programs based on American Community Survey data, shows that almost one-third of families participate in Medicaid, just 1 percent receive TANF, and almost one in six receive food stamps. Patterns for couples with young children are similar (see **Figure 3b**). Clearly, Medicaid and SNAP now affect the lives of millions of American families. Unsurprisingly, **Figure 3** also indicates that means-tested benefits are most commonly used by families in the lowest three quintiles of the family income distribution.

Although many couples who recently had children and fall in the bottom three quintiles benefit from Medicaid, TANF, or food stamps, they are not all equally likely to face a marriage penalty. **Figure 4**, which

²⁶ Wilcox, *When Marriage Disappears*; William Julius Wilson, *When Work Disappears: The World of the New Urban Poor* (New York: Vintage Books, 1997).

²⁷ Angela Rachidi, *The Earned Income Tax Credit and Marriage Penalties*, American Enterprise Institute Research Brief (Washington, DC: American Enterprise Institute, November 2015).

²⁸ Besharov and Gilbert, *Marriage Penalties in the Modern Social-Welfare State*, 6.

²⁹ Kathryn Edin and H. Luke Shaefer, *\$2.00 a Day: Living on Almost Nothing in America* (New York: Houghton Mifflin Harcourt, 2015); Robert A. Moffitt, “The Deserving Poor, the Family, and the U.S. Welfare System,” *Demography* 52, no. 3 (2015): 729–740.

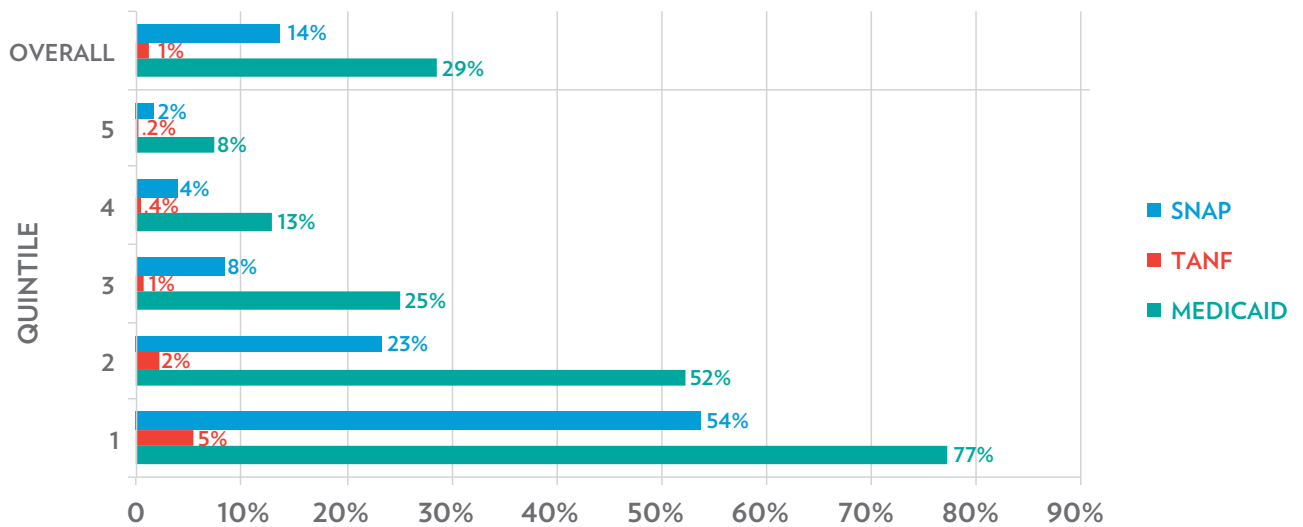
³⁰ Besharov and Gilbert, *Marriage Penalties in the Modern Social-Welfare State*; Adam Carasso and C. Eugene Steuerle, “The Hefty Penalty on Marriage Facing Many Households with Children,” *Future of Children* 15, no. 2 (2005): 157–175.

³¹ Robert A. Moffitt, “The Effect of Welfare on Marriage and Fertility,” in *Welfare, the Family, and Reproductive Behavior*, ed. Moffitt, 50–97.

³² Sara McLanahan and Marcia J. Carlson, “Welfare Reform, Fertility, and Father Involvement,” *Future of Children* 12, no. 1 (2002): 147–165.

FIGURE 3A

Percentage of couples with children receiving benefits, by income quintile

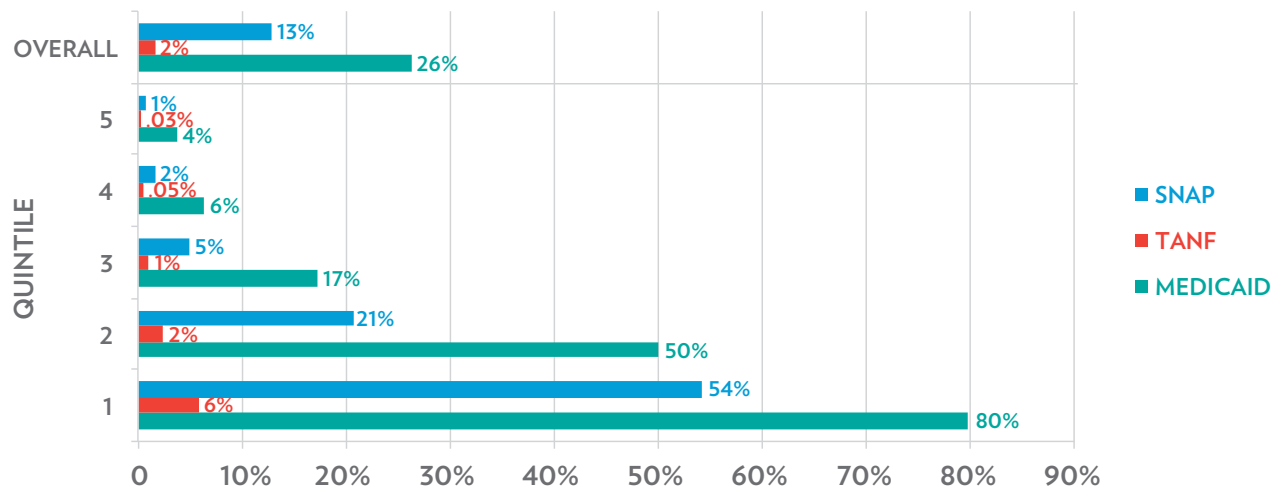


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FIGURE 3B

Percentage of couples with children two and under receiving benefits, by income quintile



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Source: American Community Survey, 2010-2014.

Note: For Figure 3a, the income quintiles are based on family income across all families with children. For Figure 3b, the income quintiles are based on family income across all families whose oldest child is two years or younger.

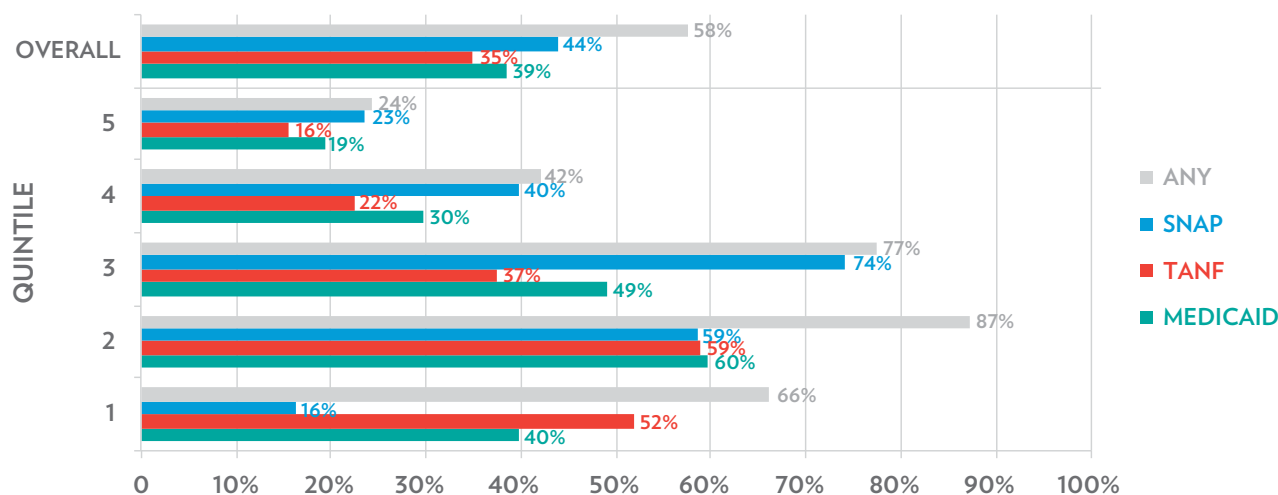
assumes that a cohabiting couple's total income is not counted for program eligibility whereas a married couple's total income is counted (see below for a more extensive discussion of this issue),³³ indicates that families with a new child in the bottom quintile are generally less likely to face a marriage penalty than those in the second and third quintiles. This is because marriage penalties only apply to couples whose combined income would put them over the income eligibility threshold, and the poorest families' combined incomes often fall below those thresholds. Thus marriage penalties are more common for lower-middle-class and middle-class parents.

As Figure 4 shows, between 77 and 87 percent of couples with children age two and under in the second and third quintiles face at least one marriage penalty related to Medicaid, TANF, or SNAP, a higher share than is the case for couples in the first quintile. The penalties facing American families in the fourth and fifth quintiles (which apply largely to families with a stay-at-home parent or with one parent earning a small salary) are not particularly relevant, as few of these families use Medicaid, TANF, or SNAP in the first place. Figure 4 underlines the fact that marriage penalties are more likely to hit lower-middle-class couples with children than the poorest families in America.

Overall, then, a large minority of American families receive some kind of means-tested assistance in the contemporary United States. However, not all couples receiving such assistance are equally likely to encounter financial penalties for being married. When we focus on couples who have recently had a child, and explore penalties related to Medicaid, food stamps (SNAP), and cash welfare (TANF), government data show that families in the second and third income quintiles are generally more likely to face a marriage penalty than their counterparts in the bottom quintile.

FIGURE 4

Percentage of couples with children two or younger that face a marriage penalty, by income quintile



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Source: American Community Survey, 2010-2014.

Note: The income quintiles are based on the family income for all families whose oldest child is age two or younger. Here, a couple is classified as facing a marriage penalty if one partner has an individual income that would make them eligible for the program but the couple would not be eligible based on their joint income were they to marry.

³³ As Besharov and Gilbert note in *Marriage Penalties in the Modern Social-Welfare State*, because cohabitation is an unstable and ambiguous form of relationship, the income of a cohabiting partner who is not biologically related to the child(ren) in the household is not officially counted in some programs. Because a substantial share of cohabiting families appear to receive such assistance even when their joint income would make them ineligible, we calculate marriage penalties in Figure 4 under the assumption that program eligibility for cohabiting couples is determined by the income of just one parent, usually the mother, rather than by the total income of the couple. However, we assume that programs consider the total income of married couples in determining their eligibility.

Do Marriage Penalties Matter?

Decisions to have children and marry are complex. They are driven by a range of factors, from the quality of a couple's relationship to the consistency of their use of birth control to the male partner's employment status. Marriage decisions may have little to do with the benefits and penalties associated with tax and transfer policies, especially if men and women believe that government benefits should not factor into the equation. Even if they wanted to consider these benefits, eligibility rules are so complicated that ordinary Americans may struggle to calculate how marriage would affect their individual situation.³⁴ Still, we know that means-tested policies penalize marriage for some couples with children, and such penalties may well discourage marriage, especially among couples whose income falls close to program thresholds.

We evaluate the impact of contemporary welfare programs on marriage and family formation in three ways: 1) by reporting results from a recent survey of Americans on family issues, the 2015 American Family Survey; 2) by analyzing the associations between welfare, cohabitation, and marriage among new parents in the American Community Survey (2010-2014); and 3) by exploring whether or not marriage penalties related to Medicaid, TANF, and food stamps are associated with patterns of marriage among unmarried urban mothers who gave birth in 1998-2000 in the Fragile Families and Child Wellbeing Study.

TABLE 1

Do you personally know of anyone who has chosen not to get married for fear of losing welfare benefits, Medicaid, food stamps, or other government benefits?

Weighted results ages 18-60

| All Respondents | Yes |
|-----------------------------------|-----|
| All | 31% |
| Gender | |
| Men | 28% |
| Women | 33% |
| Race/Ethnicity | |
| Black | 31% |
| Hispanic | 26% |
| White | 31% |
| Asian | 26% |
| Other | 44% |
| Education | |
| College-educated | 31% |
| High school diploma /Some college | 32% |
| High school dropout | 22% |
| Family Income | |
| \$0-\$19,999 | 31% |
| \$20,000-\$39,999 | 31% |
| \$40,000-\$59,999 | 35% |
| \$60,000-\$99,999 | 27% |
| \$100,000+ | 34% |

Public Opinion

Data from the 2015 American Family Survey reveal that a substantial minority of ordinary Americans think that welfare policies discourage marriage.³⁵ The nationally representative survey, which was sponsored by the *Deseret News* and the Center for the Study of Elections and Democracy at Brigham Young University, interviewed more than 3,000 Americans aged 18 to 60 on a range of family-related issues. Among other things, the survey asked respondents, "Do you personally know of anyone who has chosen not to get married for fear of losing welfare benefits, Medicaid, food stamps, or other government benefits?"

Overall, 31 percent of Americans say they personally know someone who chose not to marry for fear of losing a means-tested benefit. As Table 1 indicates, women, blacks, whites, the moderately educated, and middle-income Americans are slightly more likely to say so. Reports are slightly more common among Americans with a high school diploma or some college and for Americans with family incomes between \$40,000 and \$59,999. These responses are consistent with the possibility that marriage penalties are

³⁴ Besharov and Gilbert, *Marriage Penalties in the Modern Social-Welfare State*.

³⁵ More information on the 2015 American Family Survey can be found here: <http://national.deseretnews.com/american-family-survey>.



somewhat more salient for middle- and lower-middle-class Americans in the wake of recent expansions of means-tested welfare programs.

It's also interesting that Americans with the least education—high school dropouts—were the least likely to report knowing someone who chose not to get married due to welfare concerns. This may be because marriage is now comparatively uncommon among the least educated Americans³⁶ and because, as we have seen, marriage penalties are less common among the poorest families. Finally, responses in this survey may be based in part on programs besides Medicaid, TANF, and food stamps; marriage penalties also apply to other programs, including ones serving older Americans. More generally, then, the 2015 American Family Survey indicates that almost one-third of Americans report personally knowing someone who has not gotten married for fear of losing a government benefit.

Cohabitation Versus Marriage: What Difference Does Welfare Make?

Means-tested social-welfare programs have an income threshold that families must fall under in order to qualify. This threshold incorporates family size and is organized in such a way that the income of an individual's partner is only counted as family income if the two are married or if the individual describes herself or himself as cohabiting, or is categorized that way by the caseworker through whom she or he seeks public aid. Rules governing means-tested policies, which vary from program to program, are also more likely to consider a couple's total income in determining a family's eligibility for assistance if the father is a biological parent.³⁷ (Note: in the vast majority of cases, public assistance is awarded to the mother since she is typically the primary caregiver.³⁸) For cohabiting couples, this can create a marriage penalty: one parent qualifies for welfare benefits based on his or her own personal income, but would not be eligible if her or his cohabiting partner's earnings were counted as part of the household income, as it often would be if they got married or were officially designated a cohabiting couple.

We use data from the American Community Survey (ACS) from the years 2010 to 2014 to explore the relationship between marriage, cohabitation, and welfare receipt among new parents in the United States. We focus on cohabiting and married parents here for four reasons. First, most nonmarital births are now to cohabiting parents.³⁹ Second, cohabitation provides a clear alternative to marriage. Third, cohabiting couples with children often face marriage penalties. And fourth, cohabiting couples are more likely to be interested in marriage than parents who are living on their own.⁴⁰ We limit our sample to parents who are in a relationship and had their first child within two years of the survey, leaving us with a final sample of 121,008 women and men who are partnered with at least one child two and under.

Here, we assume that the cohabiting parents in our sample are treated by the government as the single head of their household, in large part because the qualitative evidence suggests that low-income parents in a nonmarital relationship frequently describe themselves or are categorized by government agencies in this way.⁴¹ Of the cohabiting new parents whose partner's income would make

³⁶ Wilcox, *When Marriage Disappears*.

³⁷ Moffitt et al., "Welfare Rules, Incentives, and Family Structure"; Besharov and Gilbert, *Marriage Penalties in the Modern Social-Welfare State*.

³⁸ For SNAP, see Characteristics of SNAP Households, Table A.14, <http://www.fns.usda.gov/sites/default/files/ops/Characteristics2014.pdf>; for TANF, see Characteristics and Financial Circumstance of TANF Recipients, FY 2013, Table 21, http://www.acf.hhs.gov/sites/default/files/ofa/tanf_characteristics_fy2013.pdf, and Ann C. Foster and William R. Hawk, "Spending Patterns of Families Receiving Means-Tested Government Assistance," *Beyond the Numbers* 2, no. 26 (2013): 1–9.

³⁹ Child Trends Databank, "Births to Unmarried Women," 2015. Available at: <http://www.childtrends.org/?indicators=births-to-unmarried-women>.

⁴⁰ Sara McLanahan and Audrey N. Beck, "Parental Relationships in Fragile Families," *Future of Children* 20, no. 2 (2010): 17–37.

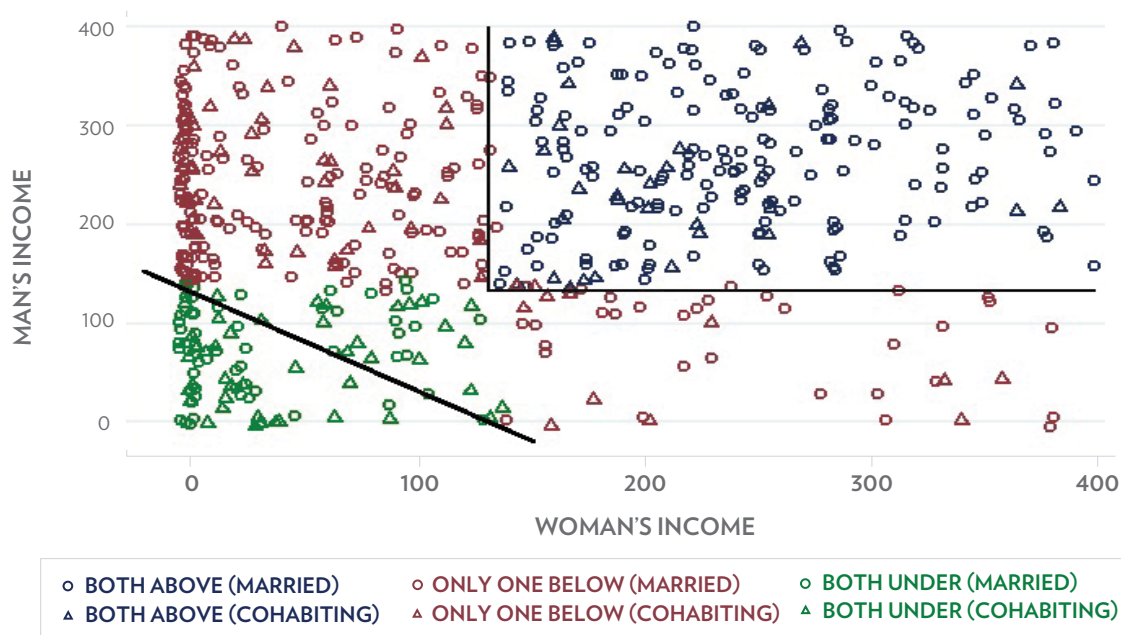
⁴¹ Kathryn Edin and Laura Lein, *Making Ends Meet: How Single Mothers Survive Welfare and Low-Wage Work* (New York: Russell Sage Foundation, 1997); Tach and Halpern-Meekin, "Tax Code Knowledge and Behavioral Responses Among EITC Recipients."

them ineligible for Medicaid, TANF, or SNAP were they to marry (assuming their joint married income was considered in determining eligibility), 36 percent are currently enrolled in one or more of these programs. Most of these mothers are, in all probability, technically ineligible for assistance: If they are cohabiting with their young child's biological father, as most presumably are, then all three programs are supposed to base eligibility on the couple's joint income. If they are cohabiting with a partner who is not the child's father but who shares household expenses, that partner's income should be counted when it comes to SNAP eligibility.⁴² These cohabiting mothers receiving public assistance face the clearest marriage penalties.

One example from our sample of a couple facing a marriage penalty is a cohabiting couple living in Alabama with a one-year-old child. The woman in the household is 19 years old, receives Medicaid, and is not working. Her income falls below the income cutoff that qualifies a family of two for Medicaid. Her partner is a 21-year-old man who has an income of \$45,500 a year and is listed as the biological father. (If he is the biological father of the child, the couple is technically ineligible for Medicaid). If these two were to marry, their joint income would put them above the benefit threshold, at about 230 percent of the federal poverty line for a family of three, so the woman and her child would no longer qualify for Medicaid. This is an example of the type of cohabiting couple that faces a marriage penalty.

FIGURE 5

Medicaid marriage penalty cutoffs for Ohio couples whose oldest child is two or younger



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Source: American Community Survey, Ohio, 2014. Note: This graph provides an illustrative example using data for all couples living in Ohio in 2014 whose oldest child was two or younger. The two cutoffs depicted in the figure are based on just the Medicaid rules. The couples below the lower cutoff (a diagonal black line) are those who would receive Medicaid even if their combined income were used to determine eligibility. The couples above the upper cutoff (the black right angle line) are those who would not be eligible for Medicaid based on their individual or joint income since both partners exceed the maximum income for eligibility. The couples in between the two lines are those that face a marriage penalty, where one or both partners would be eligible based on their individual income but would be ineligible if eligibility were determined by their joint income. The X-axis is based on the woman's income and is reported as a percentage of the federal poverty line of a family size equal to her and the children in the family (e.g. 200 = 200 percent of the federal line). The Y-axis is based on the father's income and is also reported as a percentage of the federal poverty line of a family size equal to him and the children in the family.

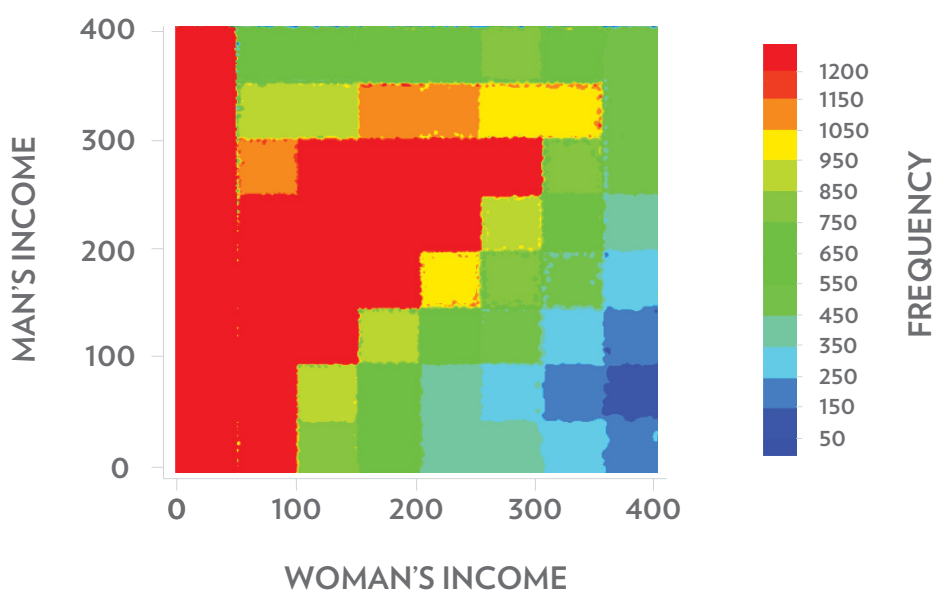
⁴² For a discussion of family structure and program eligibility, see Besharov and Gilbert, *Marriage Penalties in the Modern Social-Welfare State*.

Figure 5 provides a graphical depiction of the ranges of maternal and paternal income that result in a marriage penalty for couples whose oldest child is age two or under in Ohio. The vertical line near the middle of the figure indicates the level of personal income at which the mother would exceed the Medicaid threshold based simply on her own income. Similarly, the horizontal line near the middle indicates the level of personal income that would cause the father to exceed the Medicaid threshold with just his income. The couples represented by circles and triangles in the upper right section of the graph do not face a marriage penalty because they would not be eligible for Medicaid regardless of whether both partners' income is categorized as family income. The line that slopes downward on the left is the threshold at which the *combined* earnings of the mother and her partner would make them ineligible for Medicaid benefits if both of their incomes were included in family income. Thus couples below this line face no penalties because even their combined income falls below the Medicaid income threshold. Cohabiting partners above this line and below the individual income cutoffs are the ones facing a marriage penalty.

Figure 6 shows the joint distribution of personal and partner income among the set of American couples whose oldest child is age two or under, both cohabiting and married, in our data. The most common pattern, illustrated in red, is for mothers earning no income to be coupled with men with some income. Another common pattern is for mothers earning an income amounting to between 50 and 200 percent of the poverty threshold to be coupled with men earning approximately the same amount. In relatively few couples with young children is the higher-earning partner the mother. Specifically, among couples whose oldest child is two or younger, 59 percent have a father who makes more than 60 percent of the family's income, 27 percent have a father who makes between 40 and 60 percent of it, and 14 percent have a father who makes less than 40 percent.

FIGURE 6

Heat map for men's and women's income for moderate- and lower-income couples whose oldest child is two or younger



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Source: American Community Survey, 2010-2014. Note: This graph shows the joint distribution of men and women's income among married and cohabiting couples whose oldest child is age two or younger. The X-axis is based on the mother's income and is reported as a percentage of the federal poverty line of a family size equal to her and the children in the family (e.g. 200 = 200 percent of the federal poverty line). The Y-axis is based on the father's income and is also reported as a percentage of the federal poverty line of a family size equal to him and the children in the family. The graph only includes couples where both the father's and the mother's individual income is less than or equal to 400 percent of the federal poverty line. This amounts to about half of couples with new children.

TABLE 2

Percentage of cohabiting new parents facing marriage penalties, 2010-2014, by state

| STATE | MEDICAID | TANF | SNAP | N |
|----------------|----------|------|------|--------|
| Alabama | 35% | 32% | 33% | 222 |
| Alaska | 51% | 48% | 38% | 85 |
| Arizona | 36% | 38% | 36% | 471 |
| Arkansas | 45% | 41% | 41% | 170 |
| California | 38% | 41% | 35% | 2,311 |
| Colorado | 43% | 30% | 40% | 339 |
| Connecticut | 32% | 37% | 34% | 168 |
| Delaware | 35% | 35% | 33% | 57 |
| DC | 24% | 18% | 42% | 33 |
| Florida | 40% | 34% | 36% | 1,246 |
| Georgia | 48% | 45% | 35% | 566 |
| Hawaii | 35% | 32% | 32% | 81 |
| Idaho | 33% | 35% | 46% | 104 |
| Illinois | 34% | 35% | 38% | 788 |
| Indiana | 34% | 32% | 40% | 512 |
| Iowa | 44% | 41% | 43% | 280 |
| Kansas | 33% | 33% | 44% | 223 |
| Kentucky | 38% | 42% | 31% | 298 |
| Louisiana | 36% | 36% | 43% | 323 |
| Maine | 28% | 42% | 44% | 123 |
| Maryland | 36% | 29% | 37% | 328 |
| Massachusetts | 39% | 31% | 42% | 390 |
| Michigan | 42% | 42% | 35% | 711 |
| Minnesota | 32% | 41% | 43% | 341 |
| Mississippi | 39% | 38% | 39% | 160 |
| Missouri | 33% | 35% | 37% | 457 |
| Montana | 46% | 47% | 41% | 79 |
| Nebraska | 34% | 34% | 43% | 122 |
| Nevada | 38% | 40% | 33% | 244 |
| New Hampshire | 23% | 26% | 36% | 78 |
| New Jersey | 36% | 34% | 43% | 433 |
| New Mexico | 41% | 46% | 35% | 179 |
| New York | 37% | 41% | 37% | 1,098 |
| North Carolina | 40% | 40% | 33% | 598 |
| North Dakota | 33% | 40% | 48% | 40 |
| Ohio | 43% | 39% | 37% | 836 |
| Oklahoma | 43% | 43% | 44% | 330 |
| Oregon | 43% | 38% | 39% | 276 |
| Pennsylvania | 36% | 34% | 39% | 789 |
| Rhode Island | 43% | 33% | 41% | 82 |
| South Carolina | 38% | 38% | 34% | 287 |
| South Dakota | 35% | 36% | 46% | 89 |
| Tennessee | 40% | 48% | 38% | 389 |
| Texas | 40% | 39% | 38% | 1,539 |
| Utah | 38% | 38% | 52% | 104 |
| Vermont | 44% | 31% | 47% | 55 |
| Virginia | 37% | 35% | 41% | 411 |
| Washington | 41% | 43% | 35% | 516 |
| West Virginia | 54% | 58% | 32% | 144 |
| Wisconsin | 36% | 39% | 37% | 382 |
| Wyoming | 37% | 35% | 56% | 57 |
| Total | 39% | 38% | 38% | 19,944 |

Source: American Community Survey, 2010-2014.

Note: The sample is restricted to cohabiting couples whose oldest child is two years or younger. The three middle columns report the fraction of couples that include one individual who would be eligible for the relevant program based on his or her own income but would not be eligible based on the joint income of the couple. We assume here that eligibility for cohabiting couples is determined by one parent's income, not by their joint income.

Since the income distribution of cohabiting couples differs across states (both in terms of personal income and combined income), and because qualification thresholds vary across Medicaid, TANF, and SNAP, as well as across states and years for Medicaid and TANF, there is substantial variation in the kinds of couples who face a marriage penalty. The variation in the share of couples, within and across the states, who face marriage penalties allows us to examine whether differences in the odds of facing a marriage penalty influence the decision to marry among couples who have recently had their first child together. [Table 2](#) illustrates the share of new cohabiting parents who face marriage penalties in Medicaid, TANF, and food stamp programs in states across the nation. Note that [Table 2](#) assumes that eligibility for cohabiting couples is determined by one parent’s income, not by the couple’s joint income. Marriage patterns in this group matter because parents who marry before the birth of their first child or shortly thereafter are significantly more likely to provide a stable home to that child than are parents who cohabit without ever marrying.⁴³

We use a regression discontinuity design where we compare couples with earnings close to the income eligibility cutoffs for Medicaid, TANF, or SNAP. As portrayed in [Figure 5](#), we plotted the male and female income as a percentage of the federal poverty level on a coordinate plane and calculated the distance to the benefit cutoff in order to determine how far a couple is from each cutoff. Since the distance from the cutoff varies based on the ratio of male income to female income, we computed the minimum distance from each couple to the nearest cutoff triggering a marriage penalty. By finding the distance from each individual observation to the upper and lower cutoffs of the marriage penalty, we could take the minimum to determine which cutoff they are closer to for the discontinuity. Those who were outside of the marriage penalty range have a positive distance from the cutoff, and those within the marriage penalty range have a negative distance. Thus, as the distance increases in the positive direction, couples with a marriage penalty are approaching the cutoff, and couples outside the marriage penalty range are getting further from the cutoff.

Couples don’t face a marriage penalty when their combined income falls below program thresholds or when both partners’ individual incomes exceed program thresholds. We run the regression discontinuity separately for these two groups. Specifically, our analysis explores the possibility that marriage penalties are more salient for couples in which the mother’s or father’s individual income comes close to the program threshold (the upper cutoff) than for couples whose *joint* income comes close to the program threshold (the lower cutoff). Generally speaking, couples closer to the lower cutoff have less income, whereas couples closer to the upper cutoff have more income. Couples are divided into these two groups depending upon whether they are closer to the lower cutoff or to the higher cutoff. [Figure 5](#), earlier in this report, illustrates how the upper and lower cutoffs for Medicaid function for Ohio couples whose children are age two and under. We use 2010-2014 ACS data for this analysis and restrict our sample to cohabiting or married couples whose oldest child is two years or younger. Again, our analyses in [Tables 3 and 4](#) assume that eligibility for cohabiting couples is determined by one parent’s income, not by their joint income.

[Table 3](#) provides the results of the analysis of the lower cutoff (namely, if the family income decreases, the partners would fall beneath the cutoff and qualify individually *and* as a family) within 35 percentage points of the federal poverty level of that cutoff.⁴⁴ For example, if the Medicaid cutoff

⁴³ Kay Hymowitz, Jason S. Carroll, W. Bradford Wilcox, and Kelleen Kaye, *Knot Yet: The Benefits and Costs of Delayed Marriage in America* (Charlottesville, VA: National Marriage Project, 2013); Kelly Musick and Katherine Michelmores, “Change in the Stability of Marital and Cohabiting Unions Following the Birth of a Child,” *Demography* 52, no. 5 (2015): 1463–1485.

⁴⁴ The results are very similar for other cut-offs. We chose 35 percentage points to avoid overlap between the couples facing the lower cutoff and those facing the upper cutoff, and to ensure a sufficient sample size for our analysis.

requires that a family be below 138 percent of the federal poverty level, we include families whose income is between 103 and 173 percent of the federal poverty level in our analysis. For couples with one child, that range is \$20,000 to \$34,000. A majority of the couples analyzed in [Table 3](#) are in the first or second quintile for family income for families who only have children two and under.

The key variable of interest is in the first row and indicates the degree to which facing a marital penalty in Medicaid, TANF, or SNAP is associated with whether the couple is cohabiting (rather than married). The results in the first row of [Table 3](#) indicate that there is no statistically significant difference in marriage rates between individuals with a marriage penalty and those without a marriage penalty at the lower benefit threshold for all three programs.

TABLE 3

Likelihood of marriage conditional on Medicaid, TANF, and SNAP penalties for those within 35 percentage points of the lower cutoff

| | MEDICAID | | TANF | | SNAP | |
|---------------------------|-------------------|-------------------|----------------------|---------------------|---------------------|---------------------|
| | Raw | Controls | Raw | Controls | Raw | Controls |
| Marital Penalty | -0.006 (0.017) | -0.011 (0.015) | 0.020 (0.021) | 0.038 (0.021) | 0.022 (0.013) | 0.014 (0.012) |
| Income Relative to Cutoff | -0.001 (0.001) | -0.001 (0.001) | 0.000 (0.001) | 0.000 (0.001) | -0.001** (0.001) | -0.001** (0.000) |
| Penalty*Income | -0.001 (0.001) | -0.000 (0.001) | -0.005*** (0.001) | -0.003** (0.001) | 0.001 (0.001) | 0.001 (0.001) |
| N | 9,635 | 9,633 | 6,988 | 6,985 | 14,417 | 14,414 |

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Source: American Community Survey, 2010-2014. Note: Standard errors in parentheses, *** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$. The index is the Euclidean Distance from the benefit income cutoff as a percentage of the federal poverty line. The regressions with controls include year, state, age, race, education, state unemployment rate, and employment status. Standard errors are clustered at the state level.

TABLE 4

Likelihood of marriage conditional on Medicaid, TANF, and SNAP penalties for those within 35 percentage points of the higher cutoff

| | MEDICAID | | TANF | | SNAP | |
|---------------------------|----------------------|----------------------|----------------------|---------------------|----------------------|----------------------|
| | Raw | Controls | Raw | Controls | Raw | Controls |
| Marital Penalty | -0.042*** (0.012) | -0.026* (0.010) | -0.012 (0.013) | 0.002 (0.012) | -0.007 (0.013) | -0.040*** (0.011) |
| Income Relative to Cutoff | 0.000 (0.000) | 0.000 (0.000) | 0.000 (0.000) | 0.000 (0.000) | 0.001*** (0.000) | 0.000 (0.000) |
| Penalty*Income | -0.004*** (0.001) | -0.003*** (0.000) | -0.004*** (0.001) | -0.002** (0.001) | -0.002*** (0.000) | -0.002*** (0.000) |
| N | 24,718 | 24,715 | 29,618 | 29,614 | 16,409 | 16,406 |

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Source: American Community Survey, 2010-2014. Note: Standard errors in parentheses, *** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$. The index is the Euclidean Distance from the benefit income cutoff as a percentage of the federal poverty line. The regressions with controls include year, state, age, race, education, state unemployment rate, and employment status. Standard errors are clustered at the state level.

The second row coefficients reflect how couples with no marriage disincentive respond as their income increases relative to the benefit threshold, and the third row coefficients reflect how individuals with a marriage penalty respond as their income comes closer to the benefit threshold. It is important to note that many couples in the former group are more affluent than the couples who do not face a marriage penalty. Their comparative affluence may be one of the factors that explains why couples whose joint income is just large enough to trigger a marriage penalty are sometimes more likely to be married than couples whose joint income is low enough to protect them from such a penalty.

Table 4 explores the association between marriage, cohabitation, and marriage penalties for those couples with children two and under whose income places them closer to the higher cutoff. In this group, the couples who fall above the threshold are those where both partners make enough individual income that they would receive no benefits whether their individual or joint income were used to determine eligibility. As with the lower cutoff, we restrict our analysis to couples who are close to this upper cutoff. Since the upper cutoff has an elbow shape, it includes couples where at least one partner is earning enough individually to place him or her within 35 percentage points of the federal poverty level of the cutoff. Since the cutoff is based on each individual's income, we construct the federal poverty level for that individual excluding the spouse or partner from the count of family members. So when it comes to Medicaid, the lower-earning spouse in the couple earns between \$16,000 and \$27,000 in this analysis. The combined incomes of these couples are generally higher than those of the couples analyzed in Table 3, with a majority of the couples analyzed in Table 4 coming from the second or third quintile for family income for families who only have children two and under.

The results in the first row of Table 4, which include controls, indicate that people facing a marriage penalty are 2.6 percentage points less likely to be married than those without a disincentive at the upper threshold for Medicaid. For SNAP, the difference is 4.0 percentage points. We find no statistically significant effect for a TANF marriage penalty.

However, the third row coefficients in Table 4 reflect an interaction between having a marital penalty and the distance from the cutoff. This means that couples with a marital penalty are less likely to be married as they approach the benefit threshold. For Medicaid, individuals are 0.3 percentage points less likely to be married for every percentage point of the poverty level that they move closer to the benefit threshold. This number is 0.2 percentage points for both TANF and SNAP. Ancillary analyses also reveal that the results from Medicaid and SNAP are stronger for couples with employed mothers than those with mothers who are unemployed or not in the labor force. Because couples with children two years or younger close to the upper cutoff are overwhelmingly drawn from the second and third quintiles of family income, the results from Table 4 suggest again that marriage penalties may be most relevant for lower-middle-class families.

Together, Tables 3 and 4 imply that marriage penalties are most salient in shaping the marriage decisions of lower-middle-class couples with new children who are participating in Medicaid and food stamps, two of the nation's largest means-tested programs. These penalties seem to be more relevant to lower-middle-class couples with two earners than with only one earner. The marriage decisions of the poorest couples with new children, on the other hand, do not seem to be much affected by marriage penalties in these programs. And the marriage penalty within TANF, which now reaches

a relatively small share of new parents in the United States,⁴⁵ does not seem to influence marriage among lower-income new families. Thus, data from the American Community Survey suggest that marriage penalties in America's safety net may be most significant for lower-middle-class couples whose incomes are close to the eligibility threshold for the most expansive means-tested programs.

Social-Welfare Programs and Marriage in Urban America

We turn finally to explore the association between marriage and social-welfare policy in a sample of predominantly lower-income, unmarried couples drawn from urban America. This analysis explores data from the Fragile Families and Child Wellbeing Study to assess whether marriage penalties in public benefit programs were related to transitions into marriage during the first year after the birth of a child for a cohort of unmarried mothers and fathers. The sample includes 1,722 couples who were either cohabiting or in a non-coresidential romantic relationship at the time of the birth of the focal child. Of these, 11 percent (or 190 couples) married each other by the time they participated in the follow-up survey one year later. The couples included in the sample gave birth to a child in one of 20 large U.S. cities in 15 different states between 1998 and 2000.

The data source is the longitudinal, core biological mother and father survey from the Fragile Families and Child Wellbeing Study conducted by researchers at Princeton University and Columbia University and made publicly available through the Princeton University Office of Population Research data archive. The sample of nonmarital births ($n=3,648$) is large enough to be representative of births to unmarried mothers in the 20 cities included in the study. Data in the survey were collected via telephone interviews with both mothers and fathers at birth and again when children were ages one, three, five, and nine. For this analysis, we used the mother and father interviews at birth and one-year follow-up. Of the 3,648 unmarried mothers included in the baseline survey, 3,057 were cohabiting or romantically involved with the father of their child. Because data from both parents at baseline and year one were needed to assess the marriage penalty, and such data were not always available, another 1,068 couples (or 35 percent) were dropped from the sample of 3,057. This resulted in a sample of 1,989. From this group, an additional 248 couples were dropped because they were non-citizens (making it unclear whether they were eligible for public benefits), and 19 were dropped because complete data were not available on all variables. This resulted in a final sample of 1,722.

We relied upon mixed-effects logistic regression to assess the relationship between marriage penalties in public benefit programs and marriage behavior. Mixed-effects models were used to control for individual-level traits, as well as state characteristics that might influence individual relationship decisions. In the case of the Fragile Families data, the mothers resided in 15 different states at the time of the birth of the child. The mixed-effects model allows for any variation in marriage related to state-level factors (for example, the economy, culture, or public policy) to be controlled.

The dependent variable was whether the father and mother had married each other (1=married, 0=not married) by the time of the one-year follow-up survey (around the time their child turned one). This was based on information reported by the mother.

⁴⁵ For a related point, see Shawn Fremstad, "Temporary Assistance Doesn't Help Impoverished Married Families," *Talk Poverty*, May 1, 2015, <https://talkpoverty.org/2015/05/01/temporary-assistance/>.

TABLE 5

Odds of marrying by one year after the birth of focal child

| | TANF | | SNAP | | MEDICAID | |
|--|----------------------|----------------------|----------------------|----------------------|-----------------------|-----------------------|
| | (1) Odds Ratio | (2) Odds Ratio | (3) Odds Ratio | (4) Odds Ratio | (5) Odds Ratio | (6) Odds Ratio |
| Income (distance from income to eligibility cutoff) (year 1) | 1.0000 (0.000) | | 0.9600 (0.055) | | 0.9798 (0.0345) | |
| Benefit eligibility lost if married (Y=1, N=0) | | 1.3647 (0.225) | | 0.7630 (0.157) | | 0.8668 (0.1950) |
| Mother age | 0.9934 (0.017) | 0.9977 (0.017) | 0.9971 (0.017) | 0.9956 (0.017) | 0.9958 (0.0172) | 0.9960 (0.0171) |
| Mother's race/ethnicity (reference=Black) | | | | | | |
| White | 2.4532 (0.524)*** | 2.3013 (0.490)*** | 2.4649 (0.524)*** | 2.3744 (0.504)*** | 2.4865 (0.5294)*** | 2.3877 (0.5073)*** |
| Hispanic | 2.1661 (0.480)*** | 2.1152 (0.465)*** | 2.1641 (0.479)*** | 2.1474 (0.474)*** | 2.1654 (0.4795)*** | 2.1406 (0.4731)*** |
| Other | 0.7530 (0.571) | 0.7358 | 0.7391 (0.563) | 0.7485 | 0.7493 (0.5695) | 0.7491 (0.5687) |
| Mother's education level (reference=less than high school) | | | | | | |
| High school or equivalent only | 1.5574 (0.318)* | 1.6607 (0.337)* | 1.5739 (0.321)* | 1.6135 (0.326)* | 1.5597 (0.3191)* | 1.6162 (0.3270)* |
| Some college | 1.4062 (0.327) | 1.5184 (0.352) | 1.4518 (0.336) | 1.4424 (0.333) | 1.4323 (0.3310) | 1.4634 (0.3376) |
| College graduate or more | 2.8991 (1.243) | 3.4407 (1.430)** | 3.4493 (1.471)** | 3.0944 (1.283)** | 3.2570 (1.3527)** | 3.1899 (1.3201)** |
| Cohabiting at child's birth | 1.9400 (0.376)*** | 2.0104 (0.388)*** | 1.9741 (0.382)*** | 2.0041 (0.387)*** | 1.9552 (0.3788)*** | 2.0236 (0.3906)*** |
| First birth for mother | 0.9593 (0.177) | 0.9728 (0.178) | 0.9939 (0.183) | 0.9506 (0.173) | 0.9837 (0.1805) | 0.9620 (0.1751) |
| Age difference mother/father | 1.0146 (0.017) | 1.0127 (0.017) | 1.0163 (0.017) | 1.0153 (0.017) | 1.0156 (0.0168) | 1.0155 (0.0167) |
| Mother lived with both parents at 15 | 0.9351 (0.123) | 0.9269 (0.122) | 0.9363 (0.123) | 0.9246 (0.121) | 0.9358 (0.1226) | 0.9271 (0.1212) |
| Mother's health (good to excellent) (baseline) | 1.0400 (0.340) | 1.0312 (0.337) | 1.0392 (0.340) | 1.0487 (0.343) | 1.0413 (0.3412) | 1.0344 (0.3383) |
| Mother's regular church attendance (baseline) | 1.8648 (0.317)*** | 1.8307 (0.311)*** | 1.8480 (0.315)*** | 1.8494 (0.314)*** | 1.8577 (0.3163)*** | 1.8456 (0.3127)*** |
| Father employed (baseline) | 1.2536 (0.273) | 1.2046 (0.259) | 1.2539 (0.273) | 1.2584 (0.271) | 1.2580 (0.2739) | 1.2434 (0.2678) |
| Random effects | 0.1863 (0.175) | 0.1700 (0.171) | 0.1836 (0.178) | 0.1829 (0.1645) | 0.1823 (0.1847) | 0.1886 (0.1622) |
| N | 1,722 | 1,722 | 1,722 | 1,722 | 1,722 | 1,722 |

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Source: Fragile Families and Child Wellbeing Study, baseline and year 1 follow-up. Note: Standard errors in parentheses, *** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$. Sample includes couples who are unmarried but romantically involved or cohabiting.

Two models were estimated using two different predictor variables for each of the three public benefit programs: Medicaid, TANF, and SNAP. The first model included a predictor variable to reflect the difference between the combined income of the mother and the father (based on individual earnings) if they were to marry and the income eligibility criteria for each benefit program. This was intended to assess whether having combined income that was close to the eligibility cut-off was related to a lower likelihood of marriage.

A second model was also estimated to include a predictor variable that reflected a binary variable based on whether the couple would face a penalty if they were to marry (i.e., they would lose eligibility for an aid program). For each couple, it was determined whether the mother's income made her eligible or ineligible for each benefit program. If the mother was individually eligible and the combined income of both parents made them ineligible, they were coded as benefit lost. In this case, the reference group is composed of those who had no change in their eligibility and the small number of couples who gained eligibility.

For TANF, income eligibility was determined using the Welfare Rules Database for 2000. The maximum income for initial eligibility, which factors in any earned income, was applied to each case based on the mother's state of residence at the time she gave birth. Income eligibility for SNAP was 130 percent of the federal poverty level in 2000 applied consistently across states. To measure Medicaid qualification, we used the Kaiser Family Foundation list of income eligibility by state for children. It reflected a percentage of the federal poverty level and was applied based on the mother's state of residence at the time of the birth of the child.

Consistent with past research,⁴⁶ a number of control variables shown to have a relationship with marriage and/or benefit program participation were included in the first-level equation in each model. These included the mother's age, mother's race/ethnicity, mother's education level, whether the couple was cohabiting when their child was born, whether the birth was the first for the mother, the age difference between the mother and the father, whether the mother lived with both her biological parents at age 15, the mother's health (good or excellent) and church attendance (at least once per week) at baseline, and the father's employment status at baseline.

The second-level equation included a control for mother's state of residence at the time of the birth of the child. The random effects were calculated and reflect the variation in the individual-level effects based on state of residence.

The results suggest that the potential of losing benefit eligibility was not linked to whether or not a couple married. [Table 5](#) shows the change in the odds of marrying based on each factor. For Medicaid, TANF, and SNAP, the distance between joint income and each program's income eligibility threshold was statistically insignificant to couples' marriage odds, suggesting no relationship. As the second column shows, whether a couple would lose program eligibility altogether upon marrying also had no statistically significant effect. Factors that were related to marriage were expected, given previous research: whites and Hispanics were more likely to marry (compared to African-Americans), as were those with higher education, those who lived together, and those who attended church regularly ([Table 5](#)).

⁴⁶ Julien O. Teitler, Nancy E. Reichman, Lenna Nepomnyaschy, and Irwin Garfinkel, "Effects of Welfare Participation on Marriage," *Journal of Marriage and Family* 71, no. 4 (2009): 878–891.

Models were also estimated restricting the sample to cohabiting couples only and separately to only those cohabiting couples in which the mother's income was low enough to be eligible for benefits at baseline. No significant results were found for these two subsamples.

The results suggest that in this sample of urban parents, the prospect of losing eligibility for TANF, SNAP, or Medicaid upon marrying was unrelated to whether a romantically involved or cohabiting couple tied the knot in the year following the birth of a child. Little evidence was found that the marriage penalties associated with these benefit programs influenced marriage decisions for this particular cohort of urban couples who had a child in 1998-2000. Overall, then, our results from the Fragile Families and Child Wellbeing Study suggest that marriage penalties do not affect the likelihood that unmarried, lower-income new parents in urban America will go on to marry.

CONCLUSION:

Marriage and Means-Tested Programs in America

About four in ten families in America now receive some kind of means-tested assistance, from Medicaid to food stamps. Due to the design of income thresholds that determine eligibility for these programs, many forms of aid end up penalizing marriage for some American families, including, to an increasing extent, lower-middle-class families in the second and third quintile of family income. Our analysis of couples with a new baby indicates that 82 percent of such couples in the second and third quintile of family income face such a penalty when it comes to Medicaid, cash welfare, or food stamps, assuming that their joint income would not be taken into account if they were cohabiting but would be if they were married, as often appears to be the case. By contrast, under the same assumption, only 66 percent of such couples in the first quintile face marriage penalties. In other words, the nation's most important welfare programs now penalize marriage more for the lower middle class than they do for the poorest families.

But do these marriage penalties actually affect couples' relationship decisions? The evidence from this report is mixed. On the one hand, we do not find that the presence of marriage penalties shapes marriage patterns among unmarried couples in urban America who have just had a baby, or among couples with children two and under whose income is near the lower threshold of the marriage penalty facing such couples. We also find no evidence that TANF-related marriage penalties influence the marriage behavior of couples with a new child.

On the other hand, our analysis did reveal that couples with children two and under whose income falls closer to the upper threshold of the marriage penalty—meaning that at least one parent's income is close to the income threshold for Medicaid or food stamps, and getting married would cause the couple to lose the applicable benefit if their combined income was taken into account—are two to four percentage points less likely to be married if they face a marriage penalty in Medicaid or SNAP. These penalties seem to be particularly relevant for dual-earner couples. In addition, according to survey data, almost one-third of Americans know someone who has not married for fear of losing means-tested benefits. Finally, a number of other studies have demonstrated that marriage penalties are associated with lower rates of marriage.⁴⁷

In fact, one study of the Earned Income Tax Credit discovered that the credit affected recipients' behavior in different ways: EITC marriage premiums applying to the poorest couples encouraged them to marry, whereas EITC marriage penalties affecting relatively more affluent couples discouraged them from doing the same.⁴⁸ The latter finding parallels the results in this report: namely, it implies that marriage penalties related to means-tested tax and transfer policies may now be most relevant for lower-middle-class families.

One limitation associated with our analyses is that we do not focus on other dimensions of means-tested policies—such as rules determining the relative ease or difficulty of getting assistance, program

⁴⁷ James Alm, Stacy Dickert-Conlin, and Leslie A. Whittington, "Policy Watch: The Marriage Penalty," *Journal of Economic Perspectives* 13, no. 3 (1999); Hayley Fisher, "Marriage Penalties, Marriage, and Cohabitation," working paper (University of Sydney School of Economics, Sydney, Australia, 2011).

⁴⁸ Nada Eissa and Hilary Williamson Hoynes, "Good News for Low Income Parents: Tax-Transfer Schemes and Marriage," working paper (Department of Economics, University of California, Berkeley, 2000).

treatment of two-parent versus single-parent families, and welfare program participation—that may affect the odds that parents marry. For instance, another study using the Fragile Families and Child Wellbeing data found that unmarried mothers receiving cash welfare in the form of TANF were about one-third less likely to marry than unmarried mothers who did not receive it, even after controlling for a range of background characteristics.⁴⁹ Another new study from economist Robert Moffitt and colleagues indicates that in states with more restrictive TANF rules, family caps (which cap benefits at a certain level nine months after a mother goes on welfare, even if she goes on to have additional children), and more accommodating TANF rules for two-parent families (easing rules related to the employment history and status of the parents), less-educated mothers were more likely to be married to the biological father of their children.⁵⁰ These two studies show that public policies governing program participation, the ease or difficulty of accessing public assistance, and the treatment of two-parent versus single-parent families are also factors that may influence couples' odds of marriage.

A second limitation of this study is that the American Community Survey provides information about the biological relatedness of the child to the head of the household, but not about their biological link to the spouse or cohabiting partner of the household head. Because federal and state rules determining a family's aid eligibility take into account whether adults and children in a household are biologically related, this lack of information affects the precision of our estimates.⁵¹ That is, we may assume that some couples face a marriage penalty when in fact they do not, insofar as a program disregards their marital status because both partners are biologically related to their children. This means that our results probably underestimate the degree to which marriage penalties affect couples' decisions to marry. Accordingly, more research on how the effect of means-tested programs' marriage penalties may vary by the biological relatedness of partners to household children is needed.

We think additional qualitative research would also help shed light on how marriage penalties related to government assistance may factor into lower-income couples' thinking about marriage, as well as their actual marriage decisions. It's important to learn more about how lower-income couples themselves think about Medicaid, food stamps, and cash welfare vis-à-vis decisions to marry. Additional empirical research exploiting state variations in Medicaid expansion, among other econometric strategies, would be valuable, too.

To return to our own analysis, we find no evidence that marriage penalties affect marriage decisions among new parents whose joint income places them closer to the bottom threshold for the marriage penalty, that is, some of the lowest-income new parents in the American Community Survey. We also found little evidence that such penalties affect marriage behavior among low-income unmarried parents in urban areas. Nevertheless, our findings from the American Community Survey and the 2015 American Family Survey lead us to conclude that marriage penalties associated with some means-tested policies may reduce the likelihood that lower-middle-class new parents marry. It is precisely this population, not the poorest families, that has seen the greatest rise in nonmarital childbearing in recent years.⁵²

⁴⁹ Julien O. Teitler, Nancy E. Reichman, Lenna Nepomnyaschy, and Irwin Garfinkel, "Effects of Welfare Participation on Marriage," *Journal of Marriage and Family* 71, no. 4 (2009): 878–891.

⁵⁰ Moffitt et al., "Welfare Rules, Incentives, and Family Structure."

⁵¹ Moffitt et al.'s recent research ("Welfare Rules, Incentives, and Family Structure") indicates that among less-educated women, the biological relatedness of a mother's partner to her children is an important determinant of whether or not means-tested policies influence family structure.

⁵² Wilcox, *When Marriage Disappears*.

Given the possibility that means-tested government programs—at least food stamps and Medicaid—make American couples with children less likely to marry, we believe federal and state governments should search for ways to reduce or eliminate the marriage penalties associated with programs serving lower-income families. Also, since policymakers, social service professionals, and the broader public alike have little clarity about the impact of welfare on marriage, any reforms should be accompanied by a clear public messaging campaign designed to explain how marriage does or does not affect access to aid programs. We think the federal government should consider the following four strategies to mitigate social-welfare-related marriage penalties confronting lower- and moderate-income families:

- 1- In determining eligibility for Medicaid and food stamps, increase the income threshold for married couples with children under five to twice what it is for a single parent with children under five.⁵³ Such a move would ensure that couples just starting a family do not feel pressured to avoid marriage just to access medical care and food for their families. Focusing on families with young children would limit the cost of this policy change.
- 2- Offer an annual, refundable tax credit to married couples with children under five that would compensate them for any loss in means-tested benefits associated with marrying, up to \$1000.⁵⁴ Doing so would send a clear signal that the government does not wish to devalue marriage and, for couples, it would help to offset any penalties linked to marriage.
- 3- Work with states to launch local experiments designed to eliminate the marriage penalty embedded in government aid. States could receive waivers to test a range of strategies to eliminate penalties in particular communities, and to inform the public that the penalties were no longer in force there. Successful initiatives could be scaled up at the national level as part of future efforts to reform welfare.
- 4- Encourage states and caseworkers working with lower-income families to treat two-parent families in much the same way as they do single-parent families. For instance, states could ease the distinctive work requirements that many impose on two-parent families receiving cash welfare. Reforms such as this one would put two-parent and single-parent families on a more equal footing when it comes to public assistance. More generally, policymakers and caseworkers should try to eliminate policies and practices that effectively discriminate in favor of single-parent families.⁵⁵

Steps like these are worth exploring because this report and a number of other studies show that marriage penalties, or other aspects of means-tested assistance, may discourage marriage among lower- and moderate-income couples. In the 1960s and 1970s, any effects related to welfare and other means-tested programs may have been most significant for the poorest couples, largely because they were the couples most likely to receive means-tested benefits. Today, by contrast, our report suggests that the effects of means-tested programs on marriage may be most consequential for lower-middle-class families. Given the role of stable marriage in helping men, women, and children achieve the American Dream, it is important that federal and state policymakers try to reduce marriage penalties that lower-middle-class families are increasingly likely to face.

⁵³ For a similar suggestion, see Sara McLanahan, Irwin Garfinkel, and Ronald B. Mincy, “Fragile Families, Welfare Reform, and Marriage,” *Welfare Reform and Beyond*, Brookings Institution Policy Brief No. 10, November 2001.

⁵⁴ For a similar suggestion, see Doar and Bradley, *Welfare Reform to Promote Work and Marriage*.

⁵⁵ McLanahan et al., “Fragile Families, Welfare Reform, and Marriage”; see also Shawn Fremstad and Wendell Primus, *Strengthening Families: Ideas for TANF Reauthorization* (Washington, DC: Center on Budget and Policy Priorities, 2002).

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ACKNOWLEDGEMENTS

This report benefited from the programmatic leadership of Richard Brake, Andrew Smith, and Brad Wassink, the editorial assistance of Anna Sutherland, and the design work of Brad Uhl and Brandon Wooten at ID Company. Tanner Eastmond, Vijay Menon, and Michael Gmeiner provided substantial research assistance. We also thank Robert Doar, Ron Haskins, Joshua McCabe, and Robert Moffitt for their substantive and methodological counsel and criticism regarding this report. Needless to say, they do not necessarily agree with our conclusions and any errors are our own.

A portion of this report analyzes data from the Fragile Families Study. The Fragile Families Study was funded by a grant from the Eunice Kennedy Shriver NICHD (#R01HD36916) and a consortium of private foundations. Persons interested in obtaining Fragile Families contract data should see <http://www.fragilefamilies.princeton.edu> for further information.

Marriage, Penalized is part of The Home Economics Project, a joint project of the American Enterprise Institute and the Institute for Family Studies. Inaugurated in the fall of 2013, this research project explores the reciprocal links between family structure and the free enterprise system.

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