Death and Taxes

BY CHARLES GERENA


Women tend to live longer than men. When a woman’s husband dies, she faces the prospect of dealing with the household’s finances alone. In households where the wife was already primarily responsible for financial matters, she is accustomed to this responsibility. In other households, it requires the wife to adjust to a new role under difficult circumstances.

Joanne Hsu, an economist at the Federal Reserve Board of Governors, created a model to examine a married woman’s incentives to increase her financial literacy, including her likelihood of widowhood in the future.

“In sum, the model predicts that a woman will acquire financial knowledge very slowly at the beginning of the marriage and delay larger investments in human capital,” Hsu explains. “The rate of investing will increase as the expected time of widowhood approaches. After her husband dies, she takes charge of the finances and accrues payoffs to her financial knowledge.”

Using data from a national survey of households and other sources, Hsu ran the model and found that wives did increase their financial literacy in various ways as their husbands aged. As the time to potential widowhood grew nearer, women accelerated their literacy efforts, though the expected length of widowhood was not a statistically significant incentive.


Anthony Landry, a senior research economist at the Dallas Fed, combed through aggregate data from the Organization for Economic Cooperation and Development to see how U.S. tax policy compares with that of the other Group of Seven industrialized nations: Canada, France, Germany, Italy, Japan, and the United Kingdom.

As in other G-7 countries, income taxes account for the bulk of the government’s revenue, mostly levies on workers’ paychecks rather than taxes on capital or corporate income. Value-added and excise taxes on goods and services account for a smaller percentage of revenue here, partly due to the fact that the United States has the lowest consumption sales tax rate among the G-7 nations.

Together with the lowest labor income taxes among the G-7, this arguably puts the United States in a competitive position globally to attract skilled workers. On the other hand, the United States had the second-highest corporate tax rate among G-7 countries (second only to Japan).