

[Private Information in the Family](#)

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Suzanne Bellue¹, Matthias Doepke² and Michèle Tertilt³

¹Center for Research in Economics and Statistics (CREST-IP Paris-ENSAE), ²London School of Economics and Political Science and ³University of Mannheim

Do married couples really know everything about each other's finances? This paper investigates how hidden financial information between spouses affects the sharing of resources within households, a question that has received little attention in high-income countries. A new survey module was fielded in the Dutch LISS panel, a nationally representative longitudinal survey, in which both partners independently reported what they know about each other's income, debt, and spending. The results reveal that private information is widespread: in 40 percent of couples, at least one partner does not fully know what the other earns. About half of couples have at least one separate bank account, and in 41 percent, at least one partner does not always disclose large purchases. To understand the consequences, the paper develops a theoretical model using mechanism design. When one spouse can hide income and consume it privately, full insurance breaks down. The constrained-efficient allocation rewards the informed spouse for sharing more income by granting a larger consumption share, which generates a positive relationship between income shares and consumption shares. Under full information, by contrast, consumption shares are independent of income. This prediction is tested by linking the survey responses to panel data on individual income and consumption from 2009 to 2021. Consistent with the theory, the positive income-consumption relationship appears only among imperfectly informed couples; for fully informed couples, it is flat. This pattern is robust to controlling for proxies of limited commitment such as marriage and children, suggesting that information asymmetries, not commitment frictions, are the primary driver of incomplete risk sharing within households.