Doctoral Dissertation : Essays in Applied Economics

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Report

The dissertation of Geghetsik Afunts comprises three chapters which are based on three independent research papers. The first chapter is co-authored with Štěpán Jurajda. The second is single-authored, while the third chapter is authored jointly with Misina Cato and Tobias Schmidt. The connecting idea in the first two chapters is that changes in family-related policy might have an effect on the educational structure of new marriages as well as on the fertility decisions made in the policy-affected marriages. The third chapter is related to inflation expectations of individuals and how they are affected by "big" global geopolitical events such as the war in Ukraine.

The first chapter examines whether the introduction of unilateral divorce legislation (UDL) from the 1960s onward in the United States affected the educational structure of marriages and divorces. It finds that UDL made *hypogamous* couples (women marrying less educated men) less likely to divorce, while it made *homogamous* couples more stable than *hypergamous* marriages (women marrying more educated men). The second chapter explores how the introduction joint custody laws (JCLs) in the US affects the educational structure of marriages and their fertility. Exploiting the staggered introduction of JCLs across US states, it is found that the odds of homogamy and fertility within homogamous couple increase due to JCLs. In the third chapter, the authors utilize survey data on inflation expectations in Germany collected February 15th - March 29th 2022. Using the unexpected start of the war in Ukraine on February 24th, they document that inflation expectations increased as a response to the start of the war.

My past research experience is related to the first and second chapters of the dissertation, while my current policy work relates to inflation expectations of households. Thus, I feel I can comment in detail on all three chapters of the dissertation.

The **first chapter** *"Who Divorces Whom: Unilateral Divorce Legislation and the Educational Structure of Marriage"* starts with a known fact: educational homogamy in marriages in the US has increased since the 1960s. In addition, in the last 60-70 years, marriage rates have decreased, while divorce rates have been on the rise. According to a large empirical literature, at least partially these patterns are influenced by the introduction of the unilateral divorce legislation (UDL).

The basic question of the paper is whether UDL contributed to the increase in assortative matching defined as educational homogamy here through its effect on the *educational structure* of new marriages and divorces. The three types of marriages used in the categorization of the chapter are hypogamous (wife's education is higher than husband's, *W>H)*, *homogamous (W=H)*, and *hypergamous (W<H)*.

The detailed administrative dataset from the National Vital Statistics System of the National Center for Health Statistics (NCHS) reports various characteristics of couples applying for a marriage or a divorce such as residency, age, race, education, date of marriage/divorce and number of previous marriages. The measurement of the marriage inflow and outflow is summarized by a 5x5 educational-category matching matrix as in Schwarz and Mare (2005).

The analysis is based on a log-linear model as in Schwarz and Mare (2005). The results point out that there is a substantial marriage stability disadvantage of hypogamous couples relative to other types of marriages. However, it turns out that hypogamous marriages become almost as stable as hypergamous ones due to the introduction of UDL. At the same time, homogamy becomes more stable than hypergamy. These patterns are consistent with: *(i)* UDL allowing wives to leave hypergamous marriages they would not leave without UDL (without adjustment of match quality at entry), and, *(ii)* hypogamous new marriages becoming riskier due to UDL but new marriages realized are of higher match quality.

Comments:

1. The chapter is written in a very accessible way. It is self-contained and the results of the analysis are described very well. It is a great contribution to the empirical literature on marital assortative matching. Therefore, in my opinion, **it is ready for a PhD thesis defense as it is.**

2. CPS data is used to validate the patterns observed in the NCHS administrative data on marriages and divorces. In addition, it would be good to assess the representativeness of the administrative data using the Census and American Community Survey datasets through IPUMS.

3. IPUMS data can now track marriage and divorce patterns starting in the last decades of the 19th century up to 2021. This provides another opportunity to study, on the one hand, the historical background of educational homogamy, and on the other hand, the long-term effects of UDL.

4. Finally, even though the chapter is perfectly suitable for a PhD dissertation in Economics, an additional task for future revisions of the paper is to describe the suggested mechanisms in a formal model of marriage and divorce. This can potentially help in finding further empirical evidence validating mechanisms *(i)* and *(ii)*.

The **second chapter** of the dissertation *"Joint Custody Laws and Fertility Sorting on Education"* also starts from the fact that, at least since the 1960s, marital assortative matching based on education has increased in the US. It aims at documenting the effect of joint custody laws (JCLs) on fertility sorting based on the education of the marital partners. In principle, the introduction of JCLs should not affect the fertility decisions of stable couples, think of, homogamous couples. However, risky or unstable couples such as hypogamous ones, should delay or postpone fertility due to the fact that in case of divorce partners should interact much more with their ex-partners due to JCLs, presumably affecting negatively the welfare of both ex-partners. Thus, the introduction of JCLs should potentially increase the odds of homogamy among parents.

The paper relies on US birth certificates data from NCHS. The gradual and differential adoption of JCLs across US states provides the basis for a difference-in-difference

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estimation. The log-linear model of Schwarz and Mare (2005) is again adapted to the difference-in-difference setup. The results support the hypothesis that JCLs increased the odds of homogamy among parents.

Comments:

1. The chapter is written in a very clear way. The exposition is tight and insightful. I think this is a nice contribution to the economic literature of fertility and marriage. Therefore, in my opinion, **it is ready for a PhD thesis defense as it is.**

2. A caveat pointed out in the study is the short span of the NCHS data (until 1994). As also pointed out in the study, NCHS data not always can provide enough information whether a particular birth is conceived within the marriage (alternatively it could have been conceived before the marriage). This is a problem because the analysis is focused on the effect of JCLs on married couples and the fertility decisions within these marriages. I think both of these weaknesses can be addressed in a future journal submission revision if the National Survey of Family Growth (NSFG) data is used for validation. Also, this dataset can further be useful in clarifying the proposed mechanism of work for the JCLs on educational sorting among married parents.

3. The paper discusses the effect of JCLs on the educational sorting of married parents. A further step which can be taken upon revising the paper for a journal submission is the actual fertility within different types of marriages. That will require a precise information of all births and their timing within marriages pointing out again to datasets such as NSFG.

The **third chapter** of the dissertation *"Inflation Expectations in the Wake of the War in Ukraine"* uses the war in Ukraine as a natural experiment to gauge the impact of a large geopolitical shock on the inflation expectations of individuals in Germany.

To do so, the study utilizes data from the the Bundesbank Online Panel of Households (BOP-HH), which is a monthly online survey that collects information about individuals' economic expectations. The survey wave of February 2022 was in the field from February 15th to March 1st. The next wave was in the field between March 15th and March 29th. Therefore, there is enough information in terms of number of respondents and their short- and long-run inflation expectations collected **before** and **after** the start of the war on

February 24th. In a nutshell, the results point out that the unexpected war in Ukraine elevated significantly the inflation expectations of individuals in Germany both in the short- and in the long-run. The estimated effects are 1 percentage point and 0.4 percentage points, respectively.

Comments:

1. The chapter is very topical and timely contribution to the empirical literature of households' economic expectations and their determinants. The exposition is very clear. Therefore, in my opinion, **it is a perfect contribution to a PhD thesis as it is.**

2. Two venues in which the paper can be further improved, perhaps upon a submission to an academic journal are: *(i)* further analysis of the heterogeneity of the treatment effect through exploring different sample splits, and, *(ii)* using the panel dimension of the survey dataset to see the evolution of the effect via an event-study setup.

Conclusion:

Geghetsik Afunts develops several important ideas in her doctoral dissertation with respect to the role of economic policies for marriages, divorces and fertility with an emphasis on marital sorting on education. The final chapter presents an insightful study on households' inflation expectations and their determinants. Based on these contributions, I recommend the candidate to be awarded a doctoral degree in Economics by the CERGE-EI.

References:

Schwartz, C. R. & Mare, R. D. (2005). Trends in educational assortative marriage from 1940 to 2003. Demography, 42(4), 621–646.