"Did Unilateral Divorce Laws Raise Divorce Rates? A Reconciliation and New Results"

American Economic Review, 2006

by Justin Wolfers

Jaime Arellano-Bover

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Motivation and research question

- No-fault divorce revolution:
  - During 1970s, US states implemented divorce laws that allowed people to seek a divorce without consent of their spouse

- During this same time period divorce rates in US rose dramatically

- Research question:
  - Did unilateral divorce policy reforms have a causal effect on divorce rates?

Data

- Administrative data on the divorce rate in each state and year in the US from 1968 to 1988 (*Vital Statistics of the US*)
  - *divorce rate$_{it}$ = (annual number of new divorces$_{it}$) / (000s persons$_{it}$)*

- Dataset:
  - Panel data at the state-year level:
    - `Divorce-Wolfers-AER.dta`

Empirical approach

- Staggered Difference-in-differences
- Exploit the fact that different states reformed divorce laws at different times
  - Similar logic to DiD, but different treated units get treated at different times
  - Late reformers act as controls for early reformers

- Key assumption: parallel trends in the absence of policy reform

- Estimation: Two-way Fixed Effects via OLS:

$$y_{it} = \sum_{k=-10}^{15} \beta_k \times DR_{it}^k + \delta_i + \delta_t + \varepsilon_{it}$$

- DR_{it}^k: dummy=1 if in year t state i had reformed divorce k years ago
- β_{-1} is normalized to zero
- β_{-10} to β_{-2} test for parallel *pre*-trends
- β_0 to β_{15} estimate dynamics of the causal effect of the policy

Empirical approach: Bonus

- A new booming literature has come up aiming to better understand staggered DiD

- In the presence of heterogeneous treatment effects, the baseline TWFE approach from before might not capture appropriate averages of treatment effects

- This literature is still evolving, but there is a nice paper summarizing recent developments up until now:
  - "Two-Way Fixed Effects and Differences-in-Differences with Heterogeneous Treatment Effects: A Survey" (De Chaisemartin and D'Haultfoeuille, forthcoming)
  - This paper illustrates new methods using the Wolfers (2006) divorce dataset as example
  - Replication package uses `Divorce-Wolfers-AER.dta` to implement new methods