THE CALIFORNIA EFFECT

THE CHALLENGES OF IDENTIFYING THE IMPACT OF SOCIAL POLICIES DURING AN ERA OF SOCIAL CHANGE

BY Lauren Hoehn-Velasco, Jacob Penglase, Michael F. Pesko, and Hasan Shahid

FOR 2024 SI Development of the American Economy
Over the 1960s and 1970s, rapid demographic change

- Birth and marriage rates declined
- Divorce rates more than doubled

State governments passed a variety of novel policies along the same timeline:
- Access to the pill
- Legal abortion
- Minors’ access to abortion/pill
- No-fault unilateral divorce
- Equal pay laws
- Medicaid

Reexamine the consequences of policies on demographic outcomes—highlighting the issue of simultaneous policy adoption
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CASE STUDY: CALIFORNIA IN 1969

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California passed a number of policies in 1969 that could directly or indirectly affect demographic outcomes:

1. Unilateral divorce
2. No-fault divorce
3. Legal abortion
4. Shortening of mandatory waiting periods for divorce
5. No-fault property reforms

All of these policies have separately been argued as influential for outcomes in the literature (Angrist and Evans, 1996; Gray, 1998a; Levine et al., 1999; Donohue III and Levitt, 2001; Kalist, 2004; Gruber, 2004; Ananat et al., 2004; Wolfers, 2006; Stevenson and Wolfers, 2006; Alesina and Giuliano, 2007; Genadek et al., 2007; Guldi, 2008; Foote and Goetz, 2008; Drewianka, 2008; Donohue and Levitt, 2008; Ananat et al., 2009; Voena, 2015; Myers, 2017; Wong, 2021)
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WHY CALIFORNIA?

* California is an interesting example because

1. California is the most populous state and is weighted heavily
2. California also experienced a large change in demographic outcomes—forefront of cultural change
3. California passed several policies together

* California just a case study

* Idea applies to a variety of settings
Reexamine several related studies in this case study:

1. Wolfers (2006): Unilateral divorce and divorce rates
4. Myers (2017): Legal abortion, young women’s childbearing and family formation
CALIFORNIA INFLUENTIAL IN FOUR DIFFERENT STUDIES

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Results weaken, and in most cases, become statistically insignificant when excluding California.

During this presentation, show the results from Wolfers (2006), unilateral divorce and divorce rates, but paper includes all of the above.
Panel (I) Unilateral Divorce

Panel A: All States
DD estimate = -0.145

Panel B: Without California
DD estimate = -0.133

Panel (II) No-Fault Unilateral Divorce

Panels C and D are not visible in the image provided.
Panel (II) No-Fault Unilateral Divorce

Panel A: All States
DD estimate=-0.062

Panel B: Without California
DD estimate=-0.007

- TWFE-No Controls — N= 1,472 — 95% CI
- TWFE-Controls — N= 1,472 — 95% CI
- IW-Controls — N= 1,472 — 95% CI
Panel (III) No-Fault Unilateral Divorce w/No-Fault Property

Panel A: All States
\[ \text{DD estimate} = -0.306^{***} \]
\( N = 1,472 \)

Panel B: Without California
\[ \text{DD estimate} = 0.074 \]
\( N = 1,440 \)

Panel (IV) Legal Abortion
Panel (IV) Only California
\[ \text{DD estimate} = 0.671^{***}, \ % \text{Change} = 16.8\% \]
\( N = 1,440 \)
Panel (IV) Legal Abortion

Panel A: All States
DD estimate=0.427**, % Change=11.1%

Panel B: Without California
DD estimate=0.085, % Change=2.3%

Panel (IV) Only California
DD estimate=0.671***, % Change=16.8%
DIFFERENCE IS MAINLY DUE TO WEIGHT ON CALIFORNIA

- Larger effect in certain specifications due to higher weight placed on California:
  1. No-fault Divorce—16%—**SMALLEST EFFECT**
  2. Unilateral Divorce—23%
  3. No-fault Unilateral Divorce—33%
  4. Legal Abortion—52%
  5. No-fault Unilateral with No-fault Property—86%—**LARGEST EFFECT**

- Remember—*California essentially passed all of these policies in the same year!*
Short presentation—focused on Wolfers (2006)
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Applies to similar studies studying unilateral divorce and legal abortion:

1. Female suicides in Stevenson and Wolfers (2006)
3. Teenage births in Myers (2017)
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• Applies to similar studies studying *unilateral divorce and legal abortion*:
  1. Female suicides in Stevenson and Wolfers (2006)
  3. Teenage births in Myers (2017)
• Show these in the (updated) paper
CONCLUSIONS: CANNOT DISENTANGLE SIMULTANEOUS POLICIES

We study a particular case study—five policies adopted together in California

- Easy to misattribute the effect to one policy
- But all the identification is coming from a single state in one year
- Policy controls do not fix the issue and can introduce contamination bias (Hull, 2018; Goldsmith-Pinkham et al., 2022; De Chaisemartin and D’haultfœuille, 2023)

Not an isolated problem

- Occurs throughout the literature
- Identification challenges related to multiple treatment effects extend beyond concurrent policy adoption

Best recommendation is to understand the policy environment, historical context, and cultural context
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Thank you!
Ivelasco@gsu.edu