



# Economic Uncertainty, Parental Selection and Educational Outcomes

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**Date: 28th February 2020**

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I'm interested in parent or selection and the site that maybe along the business cycle, not all parents are making the same decisions about having children on it. So what we know is that, in general, when economic conditions vary, the fertility rate varies because some people decide that it's a good time to have children, some people will decide that it may not be such a good time to have children. And, and whether it's a good time or not depends on what you think about the cost of having children. So some of the costs are financial cost, in which case maybe when the final choice when the business cycle is better than people see that they are more able to afford kids, but there's also some time cost. And then taking time out of the labour market is more expensive when the labour market is good. So what we're interested is not only how the susceptibility weight changes, but whether the type of parents who decide to make those decisions change, as it's usually pretty difficult. To look at, and then we, we looked at the fall of the Berlin Wall, which created an enormous uncertainty shocks for his Germans as a transition from a communist regime to capitalist regime. And then for a short period of time just after the fall of the war, almost exactly nine months after the fall of the world fertility rate drops massively is Germany to the point that the fertility rates dropped by 60% compared to what it was before the fall of the world. So, there is a massive economic uncertainty and which we see that there is a massive response in terms of GDP decisions. So we thought it was a good setup to look at how parents are put on so parents react to economic uncertainty in their fertility decisions, and then the question is so well, the type of parents who decided to have children That time of economic uncertainty and our priorities not completely sure because you may think that may be sauce parents who really want their children to have a good or better life now that the communist regime as disappear may may be really willing to have children and maybe they think that okay the economy consultant is you can write it and that children now or it could be that parents who care less about the future of their of their children just think like wow, you know, now is as good as any time to have a child. So what the second question is, why is that of interest? Why do we care what type of talents are in kids at at any point in time, and why we think it's important in terms of public planners so typically what public planners is a plan expenditures that say on education, on childcare on the head from police, and especially for earlier fossils, see that People earlier on in their lives is that we base it on the cohort size. So essentially, that is a large cohort of kids being born, then they will invest more in childcare and more in education based only based on numbers of children. And but if we think that some of some children's or some cohorts are born out of parents who are



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different, maybe those cohorts have different needs. So we should base on the public decisions to invest into those cohorts, not only on the size of the cohort, both on the potential needs of that school, what we see when we look at the data is exactly nine months after the fall of the wall. There is a massive drop in number of children born in East Germany, but not much happens in West Germany. So then we can compare the mothers who give birth in East Germany and West Germany around that time. And what we find is that soldiers in East Germany who give birth just after the fall of the wall tend to be a bit younger, less educated, in less stable relationships, so on, on various characteristics, they are different. When we dig a little bit deeper, we find that it's not only on the observable characteristics that sort of East Germans are different they also behave differently regarding the education of their children. So what we find is that they are also less likely to read to their child, when the child is small, they have less books at home, they are less interested in meeting with schoolers to figure out how the child is doing, they are investing less in the education of their child in general and that we observe at various points in time in various surveys, we have good information from age 10 to 17. But some of that information also refers to past behaviour. So basically throughout the childhood, we find that East parents invested less in the education of their child. And basically it was children also feel that their parents were doing less things with them. So it's as if it looks like they were they were parents who were just investing less in their children in various dimensions. One of the dimensions in which East parents are different is the emotional attachment that the children report that their parents display to them. So of course, we don't know exactly how it was, but we have some survey where, where children told us how they felt about their parents. And those kids born after the fall of the wall in the East who had a lower level of kind of emotional attachment from their parents. And, and it could be that first parents were really stressed by the fall of the wall. It was really stressful time in East Germany's Hunan Province with very high. There were also a lot of uncertainty about the economy. So so stressful environments may have prevented parents from displaying the level of attachment that you would expect them to do on kids. So what we do we also look at the older siblings, also students so they have siblings that we have gone before the fall of the wall and therefore grew up in years where there was less uncertainty about the economy, and that should have been less stressful years for the parents. And what we find is that those older siblings report very similar level of attachment to their siblings born just absolutely full of the world. So so it looks like it's not the environment, the stressful environment that affected how parents behave, but it was their normal tie to kids. So it's basically a question of selection, that type of parents that are less likely to invest a lot in their kids. grown in terms of education in terms of emotional attachment, were disproportionately represented in that cohort born around the fall of the wall. So what we find is that in terms of education, that cohort is quite severely affected. So if you, if you compare them to peers in the same classroom, were conceived just before the fall of the wall, and East Germans born, or conceived just after the fall of the wall, their performance is about 0.6 of the standard deviation lower. So that doesn't really mean anything to you and to you and to most people. But if you think of the size of that effect, it's about the same as attending a very high quality childcare for deprived children. So that so if



you compare it to all those kind of estimating the rich, richer, that's kind of the size of the effect, so it's a substantial effect.

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So the conclusion is basically that those two terms were affected by the size of parents didn't invent As much in their early education as all the type of parents and, and here is a there is a role to play for basically public provision of high quality childcare. So what was really benefited in that cohort is access to childcare, that tool has compensated for the lower investment that their parents were doing. Of course, it's quite difficult to do such kind of things. First, it's it costs a lot of money. And secondly, you have to either you do it too difficult, which is very expensive, or you have to identify the parents who are the type who are investing less in their children. And that's not very easy to do because most of those reasons, are not observable or characteristics of substance are not observable.