

Partial Identification in Matching models for the marriage market

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- **Has positive educational sorting in the marriage market increased over time?**
 - ▶ Driver of intergenerational inequality
- Previous parametric approaches say YES
- Non-parametric approach (this paper) says NOT CLEAR

Introduction

- **One-to-one matching model** with perfectly transferable utilities
 - ▶ Interest in recovering the surplus of the match
 - ▶ Strong parametric assumptions on the agent's unobserved taste shock

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 - 2 Partial identification under non-parametric assumptions
 - 3 Reduction of computational burden

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 - ② Partial identification under non-parametric assumptions
 - ③ Reduction of computational burden
- **Empirical contribution**
 - ▶ Re-examine positive educational matching in the data
 - ▶ Previous results driven by parametric assumption

One-to-one Matching Model

One-to-one matching model

with perfectly transferable utilities

A1 One large market framework

- ▶ Two-sided market: one side men, \mathcal{I} , other side women, \mathcal{J}

A2 Finite number of observed types (0 means no match)

- ▶ Type of men, \mathcal{X} , type of women, \mathcal{Y}

A3 Taste shocks

- ▶ ϵ_{iy} idiosyncratic preference of man i to marry woman y
- ▶ η_{xj} idiosyncratic preference of women j to marry men x

A4 Separability

- ▶ Match surplus from remaining single is normalized to zero
- ▶ A match between $i \in \mathcal{I}$ of type $x \in \mathcal{X}$ and a woman $j \in \mathcal{J}$ of type $y \in \mathcal{Y}$ generates a match surplus

$$\widetilde{\phi}_{ij} = \phi_{xy} + \epsilon_{iy} + \eta_{xj}$$

Stable Matching

A matching consist of

- (i) A measure on the set $\mathcal{I} \times \mathcal{J}$ (match assignment)
- (ii) A set of payoffs $\{U_i\}_{i \in \mathcal{I}}$ and $\{V_j\}_{j \in \mathcal{J}}$ such that $U_i + V_j = \widetilde{\Phi}_{ij}$ (sharing rule)

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Stable matching

A matching is stable when no agent has an incentive to change their partner, i.e.

$$U_i \geq \widetilde{\Phi}_{i0} \quad \forall i \in \mathcal{I}$$

$$V_j \geq \widetilde{\Phi}_{j0} \quad \forall j \in \mathcal{J}$$

$$U_i + V_j \geq \widetilde{\Phi}_{ij} \quad \forall (i, j) \in \mathcal{I} \times \mathcal{J}$$

\Rightarrow Equilibrium mass of couples is unique for every (x, y) .

Identification

Identification: Parameter(s) of Interest and Data

Parameter of interest

The parameters of interest are **total surplus** Φ_{xy} and U_{xy} , the part of the surplus gained by a man of type x when matching a y -type woman.

$$\Phi_{xy} = U_{xy} + V_{xy}$$

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Data

$$p_{y|x} \triangleq \frac{\mu_{xy}}{m_x} \equiv \frac{\# \text{ couples } (x, y)}{\# \text{ people of type } x}; \quad p_x \triangleq \frac{m_x}{\sum_{x \in \mathcal{X}} m_x}; \quad p_{x|y}, p_y \text{ analogous}$$

Under-identification Without Parametric Assumptions

Proposition. For any data $p_{y|x}$ and $p_{x|y}$, and (true) systematic surplus Φ , there exist (U, V) , $\{F_x\}_x$ and $\{G_y\}_y$ (cdf's of taste shocks) such that

$$p_{y|x} = \kappa(U, F_x, y)$$

$$p_{x|y} = \kappa(V, G_y, y) \quad \forall x, y \text{ types of people (e.g. education)}$$

$$U_{xy} + V_{xy} = \Phi_{xy}$$

where $\kappa(U, F_x, y)$ is the *model-implied* prob. of marrying a woman y cond. on being a man x .

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We need to add distributional assumptions (on unobserved heterogeneity) to obtain identification!

Partial Identification under Non-parametric Assumptions

How to construct the identified set?

The identified set is

$$\mathcal{U}^* \equiv \{U \text{ s.t. there exist a conditional CDF in a restricted space that rationalizes the model-implied probability } \kappa\}$$

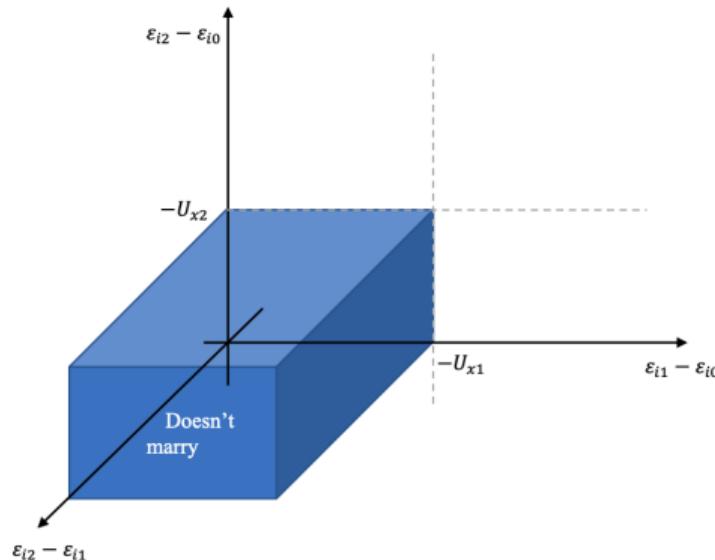
Checking if $U \in \mathcal{U}^*$ is a problem that can be transform into a linear program.

For instance, with 2 types ($\mathcal{X} = \mathcal{Y} = \{1, 2\}$) one of the conditions to check is

$$\exists \{\Delta F_x\}_{x \in \mathcal{X}}, \text{ s.t. } p_{0|x} = \Delta F_x(-U_{x1}, -U_{x2}, +\infty)$$

Partial Identification under Non-parametric Assumptions

How to construct the identified set?



Intuition: man i remains single if taste shock for both types of women isn't large enough.

► Same logic for the probability of marrying a women of type $y \in \{1, 2\}$ other equations

Only solve the problem for x which belong to a *finite* number of 3-tuples.

⇒ can solve finite-dim. problem & extend to a proper family of CDFs.

Partial Identification under Non-parametric Assumptions

Linear programming: without and with non-parametric restrictions

Three different sets of constraints on \hat{F}

Partial Identification under Non-parametric Assumptions

Linear programming: without and with non-parametric restrictions

Three different sets of constraints on \hat{F}

① $\Delta\hat{F}_x$ implied probabilities must **match the data**:

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- ▶ same for $p_{1|x}$ and $p_{2|x}$

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② $\Delta\hat{F}_x$ must satisfy defining properties of **CDFs**:

- ▶ $\Delta\hat{F}_x(\infty, \infty, \infty) = 1$
- ▶ $\Delta\hat{F}_x(a_1, a_2, -\infty) = 0$
- ▶ some more

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③ Those coming from the (non-parametric) **additional assumption** added to recover identification. Here, for instance, $\Delta\hat{F}_x$ is symmetric conditional on x :

- ▶ $\Delta\hat{F}_x(-U_{x1}, \infty, \infty) = 1 - \Delta\hat{F}_x(-U_{x1}, \infty, \infty)$
- ▶ $\Delta\hat{F}_x(0, \infty, \infty) = 1/2$
- ▶ other analogous ones

Reducing Computational Burden

Simplifying grid search

- Need to solve the previous linear program for every point of a grid for \mathcal{U} .
- The complexity of the problem increases *exponentially* with the number of types.

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Solution: reduce the problem to only solve for some $U \in \mathcal{U}$. Summary of procedure:

- ① generate a grid for \mathcal{U}
- ② fix an order for the 3-tuples described before, only when the position of *critical pairs* is different, the associated values of U can give different solutions
 - ➡ formally find the π -ordering of each U of the grid
- ③ collect those producing the same π -ordering in equivalence classes
- ④ select a single representative of each equiv. class and solve the linear program

Empirical Application

Empirical Application: Educational Sorting

Positive educational sorting driven mechanically by changes in shares of educated people?

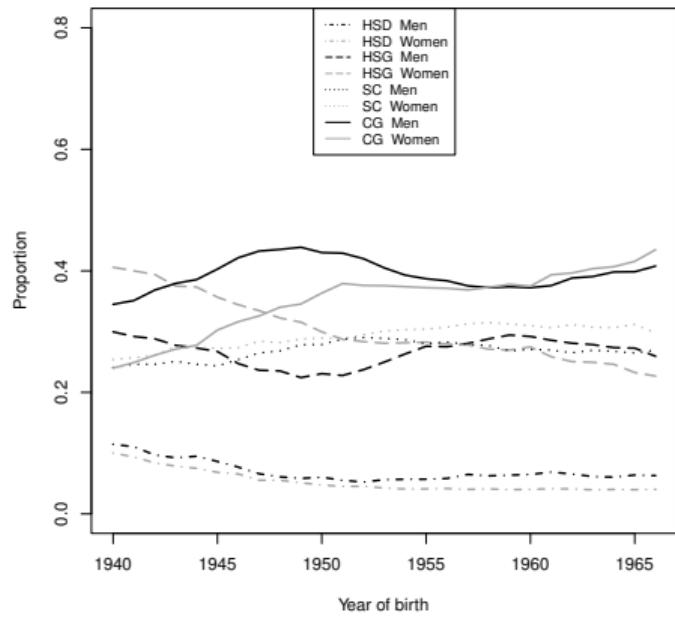
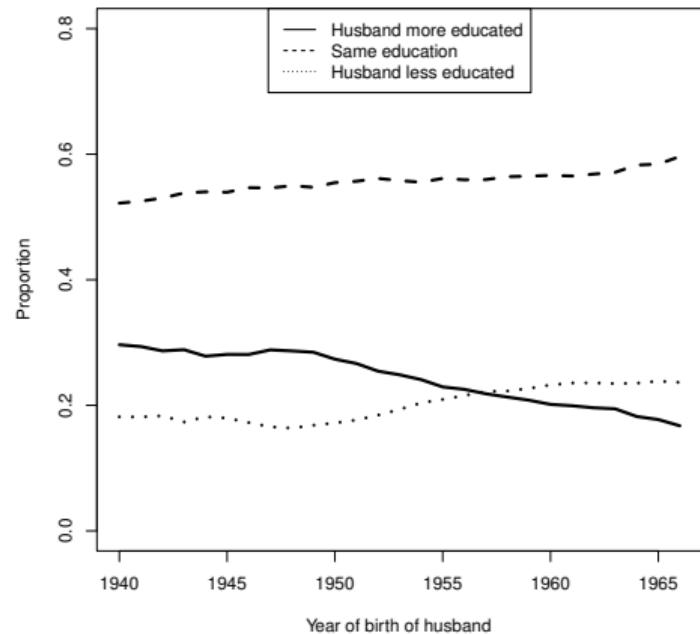


Figure 1: Education of men and women.



(A)

Empirical Application: Educational Sorting

- Data:
 - ▶ American Community Survey
 - ▶ 4 educational levels
 - ▶ 28 cohorts
 - ▶ first marriages and never-married singles
- Previous empirical approaches find **positive educational sorting** has **increased** in the U.S.
- This paper suggest this result is driven by parametric Logit assumption.

Empirical Application: Educational Sorting

Estimated identified sets of surplus Φ

Assumptions on unobservables	Wife \rightarrow	1	2	3	4	
	Husband \downarrow		Early cohorts			
Logit		-2.06	-3.07	-5.22	-8.55	
[A]	1	-2.06	$[-3.07, +\infty)$	$(-\infty, +\infty)$	$(-\infty, +\infty)$	
[B]		-2.06	$[-3.07, +\infty)$	$(-\infty, +\infty)$	$(-\infty, +\infty)$	
Logit		-3.73	-1.35	-3.4	-5.76	
[A]	2	$[-5.3, -3.48]$	$[-3.79, +\infty)$	$(-\infty, +\infty)$	$(-\infty, +\infty)$	
[B]		$[-5.3, -3.48]$	$[-3.63, +\infty)$	$(-\infty, +\infty)$	$(-\infty, +\infty)$	
Logit		-5.29	-2.47	-2.12	-4.32	
[A]	3	$(-\infty, -4.69]$	$(-\infty, +\infty)$	$(-\infty, +\infty)$	$(-\infty, +\infty)$	
[B]		$(-\infty, -4.69]$	$(-\infty, +\infty)$	$(-\infty, +\infty)$	$(-\infty, +\infty)$	
Logit		-8.01	-4	-2.46	-1.11	
[A]	4	$(-\infty, -6.59]$	$(-\infty, +\infty)$	$(-\infty, +\infty)$	$[-5.74, +\infty)$	
[B]		$(-\infty, -6.59]$	$(-\infty, +\infty)$	$(-\infty, +\infty)$	$[-4.4, +\infty)$	

Conclusion

- Previous empirical matching models no information about Φ without parametric assumptions
- Propose computational approach for constructing identified set of Φ
- Use methodology to re-examine empirical literature on marriage market
 - ▶ Results inconclusive about evolution of educational sorting

Appendix

Definition of an element in the identified set

$$U \in \mathcal{U}^* \iff \exists \{\Delta F_x\}_{x \in \mathcal{X}} \in \Delta F^\dagger \text{ s.t. } p_{y|x} = \kappa(U, \delta F_x, y) \quad \forall (x, y) \in \mathcal{X} \times \mathcal{Y}_0$$

In the case of $\mathcal{X} = \mathcal{Y} = \{1, 2\}$ and assuming $\Delta F^\dagger = \Delta F$, it reduces to

$$\exists \{\Delta F_x\}_{x \in \mathcal{X}} \in \Delta F \text{ s.t. } \forall x \in \mathcal{X},$$

$$p_{1|x} = 1 + \Delta F_x(-U_{x1}, \infty, U_{x2} - U_{x1}) - \Delta F_x(\infty, \infty, U_{x2} - U_{x1}) - \Delta F_x(-U_{x1}, \infty, \infty)$$

$$p_{2|x} = \Delta F_x(\infty, \infty, U_{x2} - U_{x1}) - \Delta F_x(\infty, -U_{x2}, U_{x2} - U_{x1})$$

$$p_{0|x} = \Delta F_x(-U_{x1}, -U_{x2}, \infty)$$

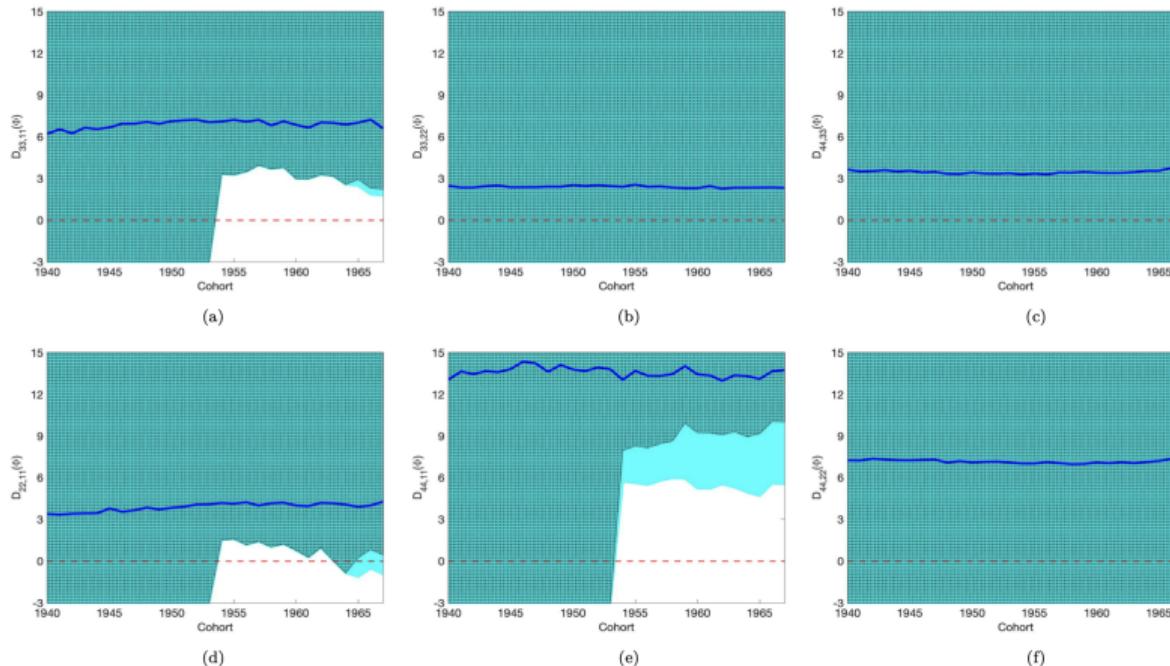
back

Nonparametric assumptions in $\{\Delta F_x\}_{x \in \mathcal{X}}$

- ① $\Delta \epsilon_i$ is independent of X_i .
- ② Conditional on X_i , and for each $l \in \{1, \dots, d\}$, $\Delta \epsilon_{i,l}$ has a distribution symmetric at 0.
- ③ Conditional on X_i , $\{\Delta \epsilon_{i,l}\}_{l \in \{1, \dots, d\}}$ are identically distributed.
- ④ Conditional on X_i , $\{\Delta \epsilon_i^y\}_{y \in \mathcal{Y}_0}$ are identically distributed.

Specification **[A]** imposes 4 and **[B]** imposes 2, 3 and 4. [back](#)

Estimated identified sets and Logit estimates



where $D_{xx,\tilde{x}\tilde{x}}$ = incremental value of marrying a more educated man ($x > \tilde{x}$) as the education of the woman increases ($x > \tilde{x}$). [back](#)