Comments on:

The Long-Run Effects of Recessions on Education and Income

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SUMMARY

Main question: What are the long run effects of growing up in a recession on human capital accumulation and earnings?

Empirical approach: Focus on 1980-1982 US recession and examine schooling and labor market outcomes in 2000-2013 of individuals who were 0-29 yrs old at the recession.

Identification: Exploit variation in severity of recession across counties and ages of exposure (generalized DID strategy)

MAIN FINDINGS

- A reduction in earnings per capita in county of birth at ages 0-10 reduces 4-yr college attainment and income in adulthood

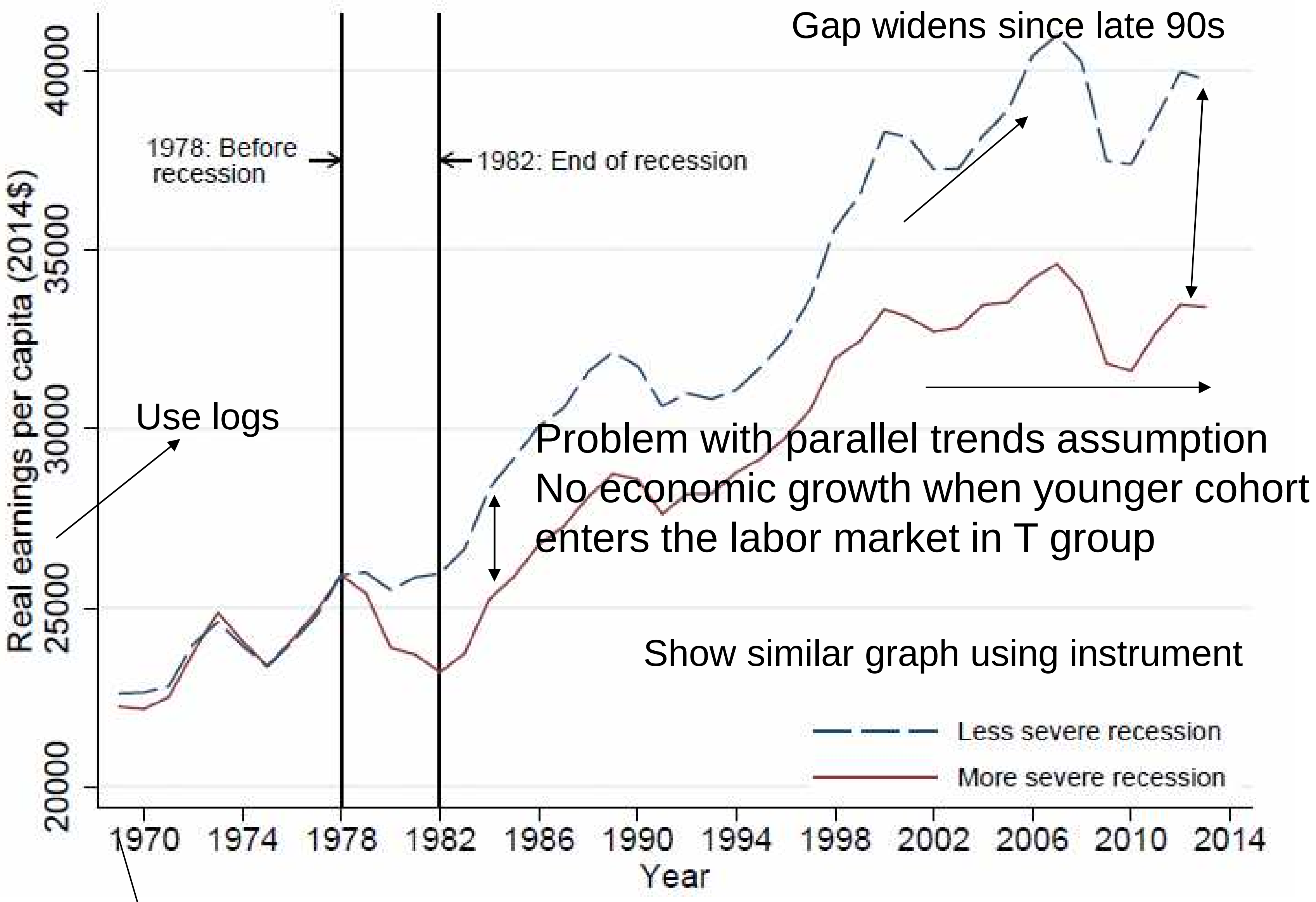
COMMENTS

- Validity of the identification strategy

- Interpretation of the results

Figure 2: Normalized Mean Real Earnings per Capita, by County-Level Severity of the 1980-1982 Recession

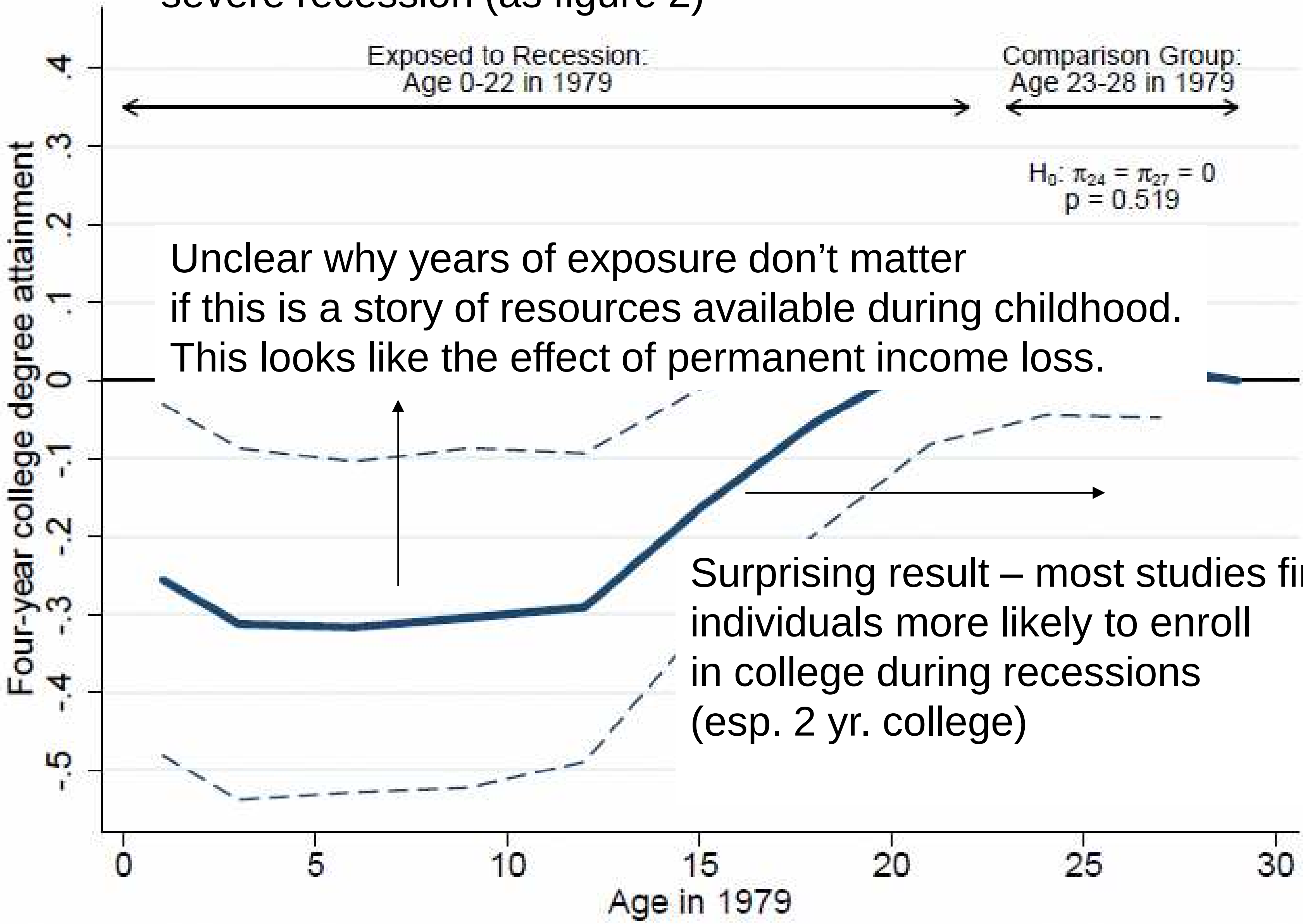
Gap widens since late 90s



Show earlier years (when those aged 20-29 were children)

Figure 3: The Long-Run Effects of the 1980-1982 Recession on Four-Year College Degree Attainment

Make similar figure showing levels by high and low severe recession (as figure 2)



Unclear why years of exposure don't matter
if this is a story of resources available during childhood.
This looks like the effect of permanent income loss.

Surprising result – most studies find:
individuals more likely to enroll
in college during recessions
(esp. 2 yr. college)

Educational Attainment

- Estimate the effect for schooling CDF (see more clearly if earlier educ outcomes were affected)
- Consider including younger cohorts (e.g. those born between 1985-1990)
- This is a “cleaner” comparison group (i.e. were born after the recession) although might be affected if there are some persistent shocks

Labor market results

- Difficult to derive clear conclusion since there is no “unaffected” group.
- All results should be interpreted in relative terms: e.g. those exposed in childhood seem to suffer more than those exposed at their 20’s
- Still difficult to compare since they are observed at different ages in the labor market perhaps better option is to present results for different ages
- Report also results for employment

Labor market results

- Table 4: Results conditional on educational attainment are biased and cannot inform about a causal effect or about how educ. acts as a mediating factor

Define:

- $R = 1, 0$: Indicator for recession
- $Y(1), Y(0)$: earnings if $R = 1 \text{ } or \text{ } R = 0$
- $C(1), C(0)$: College attendance if $R = 1 \text{ } or \text{ } R = 0$
- Table 4 estimates:

$$E[Y(1)|C(1) = 1] - E[Y(0)|C(0) = 1] = \overbrace{E[Y(1) - Y(0)|\, C(1) = 1]}^{\text{Causal Effect (-)}}$$

$$+\underbrace{\mathrm{E}[\mathrm{Y}(0)|\mathrm{C}(1) = 1] - \mathrm{E}[\mathrm{Y}(0)|\mathrm{C}(0) = 1]}_{\text{Selection Bias (likely to be positive in this case)}}$$

SUMMARY

- Very interesting paper
- Impressive data collection
- Interesting results on education. Would be useful to dig more into possible channels
- Labor market results need to be interpreted in relative terms
- Back of the envelope calculations on income loss are not very informative as they should be interpreted in relative terms
- Perhaps useful to enrich the model and include also interactions between recession exposure at entrance into the labor market. You could then estimate the relative importance of these two shocks