

The Effects of the Great Depression on Educational Attainment

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Abstract

The Great Depression is one of the most tumultuous periods in U.S. history. The young were particularly hit hard as youth unemployment soared during the 1930s. This paper examines the effects of the Great Depression on the educational attainment of young adults.

Identifying the effects of the Great Depression through the state-level variation in employment as individuals were turning a critical age, I find that there were negligible effects in the Great Depression's severity on the average years of education beyond the cohort and state-specific effects. Statistically significant difference is found only for white females who could expect a larger premium on schooling during the 1930s compared to other groups. Regional differences may mask the varying effects in different regions. Splitting the sample into different regions, I find statistically significant results in more populous regions and states in which there were more public junior colleges. For example, in Mid-Atlantic and East North Central states, a ten-percentage-point decrease in the employment index has led to an eight-percent of a year longer stay in school for white males, and an 11-percent longer schooling for white females. As for blacks, I find stronger effects in the non-South regions; a ten-percentage point decrease in the employment index has led to nearly a half-year more schooling for males, and an 18-percent increase for females. On the other hand, the effects were negligible in the South.

Small substitution effects found at the mean do not necessarily indicate that the effects of the Great Depression were uniform across the distribution of educational attainment. The results of quantile regressions suggest that a ten-point decrease in the employment index reduced schooling of white males by 25 percent at the 90-percentile of the distribution and by 29 percent of black males at the 70-percentile of the distribution.

The Great Depression may have increased the average educational attainment, but the net effects seem small. More importantly, it appears to have compressed the distribution of educational attainment among white males. My results also suggest that for the substitution effect to work, supply factors such as availability of appropriate institutions may be important.

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