

# Hard times in the land of plenty: The effect on income and disability later in life for people born during the great depression



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## Abstract

We use 20th-century data to examine how community economic conditions at the time of birth influenced various measures of socioeconomic success as adults. Our analysis focuses on the worst downturn ever experienced in the United States: the Great Depression. We merge individual information reported by respondents in the U.S. Censuses of 1970 and 1980 with information on state per capita income during the individual's year of birth in their state of birth. Results indicate that the effect of state income per capita in the birth year on income and disability later in life varies with changes in income levels. Individuals born in the trough of the Depression in low-income states had substantially lower incomes and higher work disability rates later in life than workers born in those states in the peak year of 1929. However, the effect of being born during the trough of the Depression in states with higher incomes during the first half of the 20th century was much weaker on income and disability later in life.

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## 1. Introduction

By any measure, the Great Depression of the 1930s remains the most negative economic shock in American history. Economists, historians, sociologists, and others have studied both the causes of the Depression and its impact. During the Great Depression, unemployment

rates rose from 3.2% in 1929 to 24.9% in 1933, and remained over 10% over the rest of the decade (U.S. Bureau of Census, 1975, Series F1, 5, D 86). Real Gross Domestic Product (GDP) fell from \$822.2 billion (chained 1996 dollars) in 1929 to \$603.3 billion in 1933 — a decrease of nearly 27% (Sutch, 2006). The severe hardship that people endured or witnessed may have also affected their lives in other ways; interviews with people who lived through the Depression also show that their hard times continued to influence their choices and opportunities throughout their lives (Terkel, 1970).

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Beyond its economic impacts, the Depression also may have affected health in both the short run and long run. Short run correlations using national aggregates show that infant mortality rates rose between 1932 and 1934, counter to their long run trend, but noninfant death rates were on or below trend between 1929 and 1933 (Fishback et al., 2007; Tapia-Granados and Diez Roux, 2009). Econometric studies of a city panel for the 1930s with a wide range of correlates and fixed effects show that the relationships between economic activity and death rates were positive for some causes of death and negative for others (Fishback et al., 2007; Stuckler et al., 2012).

In this paper, we seek to examine a long run effect of the Great Depression: its impact on the long-term socioeconomic and health outcomes of infants and children who grew up during the period. A large literature in both epidemiology and economics suggests that both prenatal and early childhood health and income conditions influence later health and socioeconomic outcomes (Barker, 1992; Almond and Currie, 2011; Case et al., 2002, 2005; Costa and Lahey, 2005; Almond, 2006; Crimmins and Finch, 2006; Bleakley, 2007; Palme and Sandgren, 2008; Smith, 2009; Banerjee et al., 2010; Ferrie and Rolf, 2011; and Brown and Thomas, 2014).<sup>1</sup> Several studies explicitly examine the link between childhood macroeconomic conditions and adult health outcomes, with mixed findings. Van Den Berg et al. (2006) use data from 19th-century Netherlands to examine how general macroeconomic conditions experienced during childhood affect adult health outcomes. They find that children born during recessions live, on average, a few years less than children born during booms. Banerjee et al. (2010) analyze persons born in the regions affected during the 1863 to 1890 phylloxera outbreak in France (that led to economic hardship) and find that those individuals born in affected regions had shorter stature than those born in unaffected areas. Portrait et al. (2010) find little evidence, however, that national GNP in the year of birth affects functional limitations at older ages (such as the ability to cut one's toenails, walk up 15 stairs, and use transportation), and Cutler et al. (2007) find virtually no quantitative effects for infants living in the Dust Bowl areas during the 1930s on their later life health.

The mixed findings in the literature to date may be explained in part by differences in the severity of the

macroeconomic shock they examine, or by the level of data aggregation used in the study. Researchers who have studied how recent (and relatively more mild) recessions have affected health have actually found that health improves during downturns, perhaps because the income effects of the downturn are outweighed by having more time to engage in healthy behaviors (as well as other factors such as reduced pollution and fewer workplace accidents). For example, Ruhm (2000, 2005) finds that an increase in unemployment in the modern era is associated with lower mortality due to cardiovascular disease and pneumonia. He argues that these reductions in mortality are driven by changes in behavior (smoking and excess weight decline during recession), but could also be affected by factors such as reduced pollution as manufacturing slows (see Chay and Greenstone, 2003). Ruhm's findings are corroborated in a paper by Ásgeirsdóttir et al. (2014), who find that the 2008 Icelandic crisis led to reductions in compromising health behaviors and increases in some health promoting behaviors, but not others.<sup>2</sup>

Dehejia and Lleras-Muney (2004) also find positive health effects associated with recessions. Their findings indicate that babies conceived during periods of high unemployment are healthier than babies conceived under better macroeconomic conditions. Dehejia and Lleras-Muney find that mothers' behaviors explain much of this effect; for example, mothers receive more prenatal care during recessions.<sup>3</sup> These healthier babies may grow up to be healthier adults; studies suggest that low-birth-weight infants (infants who weigh less than 2500 g at birth) are not only at greater risk of morbidity and mortality as infants, but also have lower rates of educational attainment, self-reported health status, and earnings as adults than do healthier

<sup>2</sup> Specifically, they find that the crisis reduced consumption of fruits and vegetables, but increased the number of people getting the recommended amount of sleep.

<sup>3</sup> Dehejia and Lleras-Muney also find compositional effects associated with fertility during economic downturns. They find that black women who conceive during recessions tend to be more educated, while white mothers tend to be less educated. Both blacks and whites conceive healthier infants during recessions, suggesting that the behavioral effects are (at least for whites) stronger than the selection effects. We have much more limited information for the Great Depression era. Fishback et al. (2007) show that the general fertility rate fell below trend in the early 1930s. There were some compositional shifts after 1929 toward more illegitimate births and more births among mothers listed as "colored." We control for race in the regressions. The rise in illegitimate births might be one mechanism through which the problems arising during downturns contribute to fewer resources for the mother and child at the time of birth and thus negative effects later in life.

<sup>1</sup> The mechanism underlying the transmission of economic and health shocks in utero and during early childhood to lowered adult socioeconomic outcomes is not clear. Almond and Currie (2011) suggest multiple pathways, including "...effects on nutrition, smoking, drinking, stress, and stress related disease" (Almond and Currie, 2011: 165).

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