Borella, De Nardi and Yang - “The Lost Ones: The Opportunities and Outcomes of White Non-College Educated Americans Born in the 1960s”

General Discussion

Daron Acemoglu contextualized the authors’ paper as part of an ongoing debate about the origins of inter-cohort trends in labor market outcomes. He argued that differences across education groups have been studied extensively, while differences across cohorts are less understood. He contrasted two views on the subject. According to the first one, which he labeled the “early labor view”, inter-cohort trends stem from differences in protections and unionization across cohorts. The second view, which Acemoglu labeled the “Card-Lemieux (2001) view”, imputes these trends to differences in educational attainments across cohorts. Acemoglu downplayed the importance of the first view. He suggested instead that a decrease in the relative supply of educated workers across cohorts is the most plausible explanation for the rise in the skill premium observed in the data. He noted that college graduation rates rose steadily for cohorts born before 1950, but educational attainments stagnated or even declined afterwards. Acemoglu argued that the literature still doesn’t have a good understanding of the source of this structural break. The authors agreed that the decline in educational achievements across cohorts is striking, especially since the skill premium rose over the relevant period. They would not speculate about the reasons underlying this trend, but suggested that skill-biased technical changes might also have played a role for the rising skill premium.

Valerie Ramey followed up on the subject and offered a tentative explanation for the decline in educational achievements across cohorts. She highlighted the role of expectations for investment in human capital. She noted that the 1960 cohort (studied in the paper) turned 18 in the late 1970s, when the college premium was low and strong unions guaranteed favorable labor market outcomes to low-educated workers. Ramey suggested that education choices based on backward-looking outcomes might have led the 1960 cohort to underinvest in education. The authors were sympathetic to this idea.

Silvana Tenreyro spoke next, and suggested that deviations from rational expectations might play an important role when modeling decisions related to education and health. She offered the rise in opioids use as an example. The authors acknowledged that the determinants of health outcomes are complex. In particular, they argued that there is much uncertainty in the first place about whether health outcomes are endogenous, i.e. the result from investment decisions, or mostly exogenous, as in their model. For illustration, they cited the work of Griffith et al. (2016) on the source of the rise in obesity in England. While this increase in obesity had long been largely attributed to an increase in calorie consumption, Griffith et al. (2016) found that the change in the nature of jobs (an external change) was an important factor. In the case of opioids use, the authors pointed out that prescriptions by doctors (again, an external change) might also have played a role. This uncertainty about the endogenous or exogenous nature of health outcomes justifies their modeling choice, they argued, addressing a point raised by one of the discussants, Greg Kaplan.

Erik Hurst offered two comments. The first one was related to positive selection into employment, and to the work of Blundell et al. (2016a, 2016b). Hurst noted that selection might be particularly
important for female education and labor supply. Excluding the bottom 5-6% of the education distribution would provide a conservative robustness check, he argued. Second, Hurst inquired about the role of medical expenses in the model, since they are assumed to be exogenous. On selection into employment, the authors agreed that more robustness checks were warranted and welcomed Hurst’s suggestion. On the modeling of medical expenses, they reiterated that a substantial part of medical expenses seems exogenous. For instance, doctors might prescribe newer, more expensive treatments by fear of lawsuits, even if those treatments do not have a significant effect on life expectancy.

Chad Syverson noted that health shocks only take place after retirement in the authors’ model. He suggested an extension with pre-retirement health shocks and disability shocks. The authors were very receptive to this comment. The evidence suggests that marriage affects the response to health and disability shocks, they argued. Allowing for pre-retirement health and disability, and for an interaction with marriage is a promising avenue for future research, according to the authors.

James Poterba offered a comment on measurement. Referring to the work of Meyer and Mittag (2019), Poterba noted that survey data might be inaccurate for individuals at the lower end of the income distribution. Furthermore, the share of individuals reporting no income in surveys far exceeds that observed in administrative data, and the survey response rates have decreased over time, he argued. Poterba suggested that taking these measurement issues seriously is particularly important when comparing outcomes across cohorts, citing the work of Guvenen et al. (2018). The authors agreed that measurement across cohorts is crucial. They noted that inter-cohorts trends have far-reaching consequences, including political polarization and attitudes towards trade and immigration policies. Measuring outcomes accurately is a required first step towards making progress on those issues, they argued. The authors also emphasized the need to account for changes in consumption baskets across cohorts to measure price indices accurately, following up on a point raised by one of the discussants, Greg Kaplan.

Benjamin Friedman concluded the discussion with a remark on assortative mating - a feature of the authors’ model. Friedman noted that the degree of assortative mating has actually increased over time. He suggested that higher education institutions might have played an important role in this trend. While university attendance has remained stable over time, he noted, individuals now tend to study further away from their hometown. As a consequence, the pool of individuals remaining in towns without major colleges is less qualified, contributing to increased assortative mating.

References


