**The Kids Will Be Alright:**

**Long Term Effects of “Growing Up” During a Recession**

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**ABSTRACT**

In this paper, we evaluate whether the state of the economy in utero and during childhood has an effect on adult economic outcomes. A large literature suggests that early life conditions affect later life health and human capital. A separate extensive literature documents that economic downturns exert substantive contemporaneous effects on adult well-being. Taken together the “early origins” and “business cycle” literatures suggest that the impacts of economic booms and busts are likely to spill over onto the next generation’s labor market success, but empirical evidence on this question is virtually non-existent. Furthermore, economic analyses that relate early life resources to adult economic outcomes typically look at the impact of extreme events, making it difficult to predict the effects of more typical variation in resources experienced by children, like those that accompany a macroeconomic shock. The severity of the Great Recession makes this a particularly important and timely question. What are the long term implications for children growing up during the Great Recession, and what types of policies will ensure their success?

To answer this question, we assemble a longitudinal state-cohort level panel that matches adults in the 2000 Census and 2001-2010 American Community Surveys with two annual state-level series that capture state economic conditions during childhood. The first measure of economic health is state per capita income, which is available from the Bureau of Economic Analysis. We construct the second measure, the state employment/population ratio, ourselves. This provides us with a longitudinal dataset that spans up to 9 recessions, experienced to different degrees of severity across 50 states, by up to 45 cohorts. It is clear that the magnitude of these “booms” and “busts” has varied tremendously across states and over time. Motivated by recent research on the long term impacts of in-utero stressors, we begin by estimating the impact of economic conditions in the state and year of conception on individuals’ adult education, and labor market outcomes. We then expand our analyses to examine the long run impact of economic conditions experienced at later stages of childhood.

Our results indicate that the average effects of early life exposure to an economic downturn are small. These findings suggest that 1) the more “typical” variation in economic conditions experienced by children does not generate meaningful cross-cohort differences in well being and 2) well documented relationships between business cycle conditions and contemporaneous adult outcomes do not spill over onto children in ways that have long lasting impact.