ASK AN ECONOMIST

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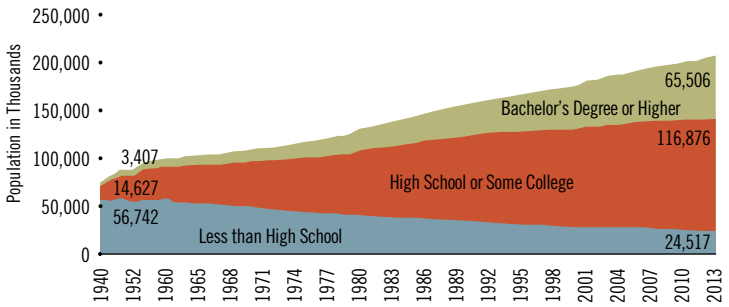
Q: How much education do Americans get? How has this figure changed over time?

A: These are important questions. Education is a primary determinant of an individual's lifetime earnings. At a macroeconomic level, understanding the evolution of educational attainment is relevant, given the importance of human capital to the national income of countries.

On average, Americans spend about 14 years in school. Educational attainment has increased remarkably since early in the 20th century, as can be seen in the chart. In 1940, 76 percent of those 25 and older had not completed high school; by 2013, only 12 percent hadn't.

Diego Restuccia at the University of Toronto and I have a paper in which we asked what caused this substantial trend.[1] We developed a model in which individuals can accumulate human capital (i.e., become educated) and assessed how much technological progress and changes in life expectancy contributed to the increase of educational attainment. We found that skill-biased technical change represented the most important factor in accounting for the increase in educational attainment. In other words, the main reason why more people sought education was because technology keeps rewarding educated people with better and better paychecks. This may sound obvious, but there are many other reasons for people to continue their education. Knowledge could be enjoyable, for instance. After all, even retired people sometimes go back to school to learn about something they are interested in. Yet, we are finding that the strongest of all reasons is that education simply is a good investment.

Population Age 25 and Over by Educational Attainment: 1940-2013



SOURCES: www.census.gov/hhes/socdemo/education/data/cps/historical/index.html and www.oecdbetterlifeindex.org/topics/education.

ENDNOTE

[1] See www.economics.utoronto.ca/public/workingPapers/tecipa-446.pdf.

WHAT DOES THE ST. LOUIS FED DO? FIND OUT IN "100 YEARS OF SERVICE"

In a report published recently to mark the 100th anniversary of the St. Louis Fed and the Fed System, you will learn not only about the founding and history of these institutions, but you will get a **first-person account of the work** of each department at the St. Louis Bank today. For example, Chris Waller, the head of our Research department, explains the academic-style research that our economists undertake. Julie Stackhouse talks about the sophisticated approach taken to bank supervision these days. Karen Branding highlights the importance of earning the public's trust. Other essays discuss the payments system, our work for the Treasury, internal and external audits of the St. Louis Fed, and many other aspects of day-to-day operations.

The core of "100 Years of Service," however, is the history. You will read about the financial instability in the country that led to **the birth of the Fed**, our nation's third attempt at a central bank. You will also find out why, a half-century later, the St. Louis Fed came to be known as the **maverick in the Fed System.**

You can scroll through the book—or download it in the iTunes store—online at www.stlouisfed.org/annual-report/2013. There, you will also find a seven-minute **video** that captures some of the highlights.

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We welcome letters to the editor, as well as questions for "Ask an Economist." You can submit them online at www.stlouisfed.org/re/letter or mail them to Subhayu Bandyopadhyay, editor, *The Regional Economist,* Federal Reserve Bank of St. Louis, P.O. Box 442, St. Louis, MO 63166-0442.