

The Unintended Long-Term Consequences of Dismissal and Exile of High-Skilled Professionals: Evidence from Nazi Germany*

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Abstract

This paper provides causal evidence on long-term consequences of the dismissal and exile of the Jewish professionals on the educational attainment, labor market, political and social capital outcomes of German children. We combine a unique city-level dataset on the fraction of Jewish population residing in Germany before the Nazi Regime with individual survey data from the German Socio-Economic Panel (GSOEP). Our identification strategy exploits the plausibly exogenous city-by-cohort variation in the intensity of Jewish population in Germany as a unique quasi-experiment. Our findings suggest significant, long-lasting detrimental effects on the human capital formation, labor market, political and social capital outcomes of Germans who were at school-going age during the expulsion and exile of Jewish professionals. First, these children had 0.5 fewer years of schooling on average in adulthood, with those in residing in cities with highest fraction of Jews completing 0.8 fewer years. Second, these children were less likely to go to college or have a post-graduate degree. Third, conditional on being employed, these children have lower labor market earnings in the future. Forth, they are less likely to have interest in politics and have a lower probability to trust and take risk as adults. These results survive using alternative samples and specifications, including controlling for migration of Germans and Second World War effects. An important channel for the effects on educational attainment appears to be the dismissal of school teachers and university professors. On the other hand, the decrease in the size of the middle class appears to be important for the estimated impact on political outcomes and trust and risk attitudes.

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Key words: human capital formation, dismissal, Jewish professionals, political development

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