

Financial Pressure and Career Choices*

Sergi Quintana[†]

October 22, 2024

[Latest version here](#)

Abstract

This paper studies the effect of higher education financing, with a special focus on student debt repayment plan, on the human capital and the field of study of the U.S. population. I develop a dynamic discrete-continuous choice model that accounts for different education, occupation and fields of studies heterogeneity and I estimate it with rich financial data that allows to also model student debt decisions of individuals. The results show that allowing for an income-driven repayment plan increases graduation on average by 3p.p. The effect is stronger for low income individuals, since they are more elastic to the policy. The increase in graduation mainly comes from a reduction in drop-out rates among financially constrained high skilled students. The field composition of the economy also changes, specially among low income individuals that are 50% more likely to change their fields compared with high income ones. The introduction of the policy allows for a better sorting on preferences, and the average switcher experiences an increase in non-consumption taste for the field of study.

*

[†]Universitat Autònoma de Barcelona. Email: sergi.quintana@gmail.com.