

Intergenerational Transmission of Abilities, Self-Selection, and the Return to Education

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November, 2007

This paper presents an intergenerational self-selection model that offers an alternative identification strategy to the exclusion restrictions that are commonly used to estimate the effect of education on earnings. I show that the intergenerational transmission of two distinct abilities and subsequent self-selection of educational attainment explains the relationships between earnings and college education across generation. The model makes it possible to use intergenerational relationships to derive a distribution of the return to college education. It takes heterogeneity in the return to education and self-selection of educational attainment into account and helps to explain the results of conventional estimators that use intergenerational information to measure the return to education.

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