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Education Choices and Returns on the Labor and Marriage Markets: Evidence from Data on Subjective Expectations.

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Abstract

In this paper we analyze the role of expected labor and marriage market returns as determinants of the college enrollment decisions of Mexican high school graduates. Moreover, we investigate whether the (relative) weights of these factors differ by gender. We use data on individuals' expectations regarding future labor market outcomes which we directly elicited from the youths, and two different measures of marriage market returns. First, marriage market returns are proxied by the (net-)supply of potential partners in the youths' local marriage markets. Second, we use data which elicits youths' beliefs about their future spouse's earnings conditional on their own education level. We find that labor market as well as marriage market returns are important determinants of the college enrollment decision. However, boys' and girls' preferences differ in terms of the relative role of the two determinants, in that the relative weight of labor market versus marriage market returns is larger for boys than for girls.

JEL-Classification: I21, I22, O15

KEYWORDS: Schooling Decisions, Subjective Expectations, Perceived Earnings and Employment Risk, Marriage Market Returns, Gender Differences, Mexico.

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†Corresponding author: Katja Maria Kaufmann, Mannheim University, CESifo and IZA, Address: L 7, 3-5, 68131 Mannheim, Germany, kaufmann@vwl.uni-mannheim.de. We would like to thank the editor and two anonymous referees for their valuable comments. We thank our two research assistants, Anna-Lena Wassmuth and Viviana Garcia-Gomez for their excellent work. We are grateful to Ran Abramitzky, Sandra Black, Taryn Dinkelman, Christina Gathmann, Caroline Hoxby, Rob Jensen, Victor Lavy, Lance Lochner, Shaun McRae, Aprajit Mahajan, Matthias Messner, Aloysius Siow, Jeff Smith and Michele Tertilt for valuable comments. We are thankful also to conference participants at the NBER Education meeting, at the CEPR labour economics program on the economics of family policy and the CEPR development meeting, at the NYU/Caltech La Pietra conference, at the BREAD summer workshop, at the SITE meeting on Women and the Economy and at the CESifo conference on the Economics of Education and to seminar participants at Boston Fed, New York Fed, Rochester and UVA. All remaining errors are of course our own.

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