VOLUME 1

Introduction to the Series

Contents of the Handbook

Preface

Chapter 1

Post Schooling Wage Growth: Investment, Search and Learning Yona Rubinstein and Yoram Weiss

Chapter 2

Long-Term Trends in Schooling: The Rise and Decline (?) of Public Education in the United States

Sandra E. Black and Kenneth L. Sokoloff

Chapter 3

Historical Perspectives on Racial Differences in Schooling in the United States William J. Collins and Robert A. Margo

Chapter 4

Immigrants and Their Schooling

James P. Smith

Chapter 5

Educational Wage Premia and the Distribution of Earnings: An International Perspective Franco Peracchi

Chapter 6

Educational Wage Premiums and the U.S. Income Distribution: A Survey

Donald R. Deere and Jelena Vesovic

Chapter 7

Earnings Functions, Rates of Return and Treatment Effects: The Mincer Equation and Beyond

James J. Heckman, Lance J. Lochner and Petra E. Todd

Chapter 8

The Social Value of Education and Human Capital

Fabian Lange and Robert Topel

Chapter 9

Why Has Black-White Skill Convergence Stopped?

Derek Neal

Chapter 10

Education and Nonmarket Outcomes

Michael Grossman

Chapter 11

Does Learning to Add up Add up? The Returns to Schooling in Aggregate Data

Lant Pritchett

Chapter 12

Interpreting the Evidence on Life Cycle Skill Formation

Flavio Cunha, James J. Heckman, Lance Lochner and Dimitriy V. Masterov

Author Index

Subject Index

VOLUME 2

Introduction to the Series

Contents of the Handbook

Preface

Chapter 13

Using Wages to Infer School Quality

Robert Speakman and Finis Welch

Chapter 14

School Resources

Eric A. Hanushek

Chapter 15

Drinking from the Fountain of Knowledge: Student Incentive to Study and Learn -

Externalities, Information Problems and Peer Pressure

John Bishop

Chapter 16

Schools, Teachers, and Education Outcomes in Developing Countries

Paul Glewwe and Michael Kremer

Chapter 17

Has School Desegregation Improved Academic and Economic Outcomes for Blacks? Steven Rivkin and Finis Welch

Chapter 18

Teacher Quality

Eric A. Hanushek and Steven G. Rivkin

Chapter 19

Teacher Supply

Peter J. Dolton

Chapter 20

Pre-School, Day Care, and After School Care: Who's Minding the Kids?

David Blau

Chapter 21

The Courts and Public School Finance: Judge-Made Centralization and Economic Research William A. Fischel

Chapter 22

Income and Peer Quality Sorting in Public and Private Schools

Thomas J. Nechyba

Chapter 23

Public Intervention in Post-Secondary Education

Thomas J. Kane

Chapter 24

US Higher Education Finance

Michael S. McPherson and Morton Owen Schapiro

Chapter 25

Income Contingent Loans for Higher Education: International Reforms

Bruce Chapman

Author Index

Subject Index

Introduction to the Series	v
Contents of the Handbook	vii
Preface	xix
Chapter I	
Post Schooling Wage Growth: Investment, Search and Learning	
YONA RUBINSTEIN AND YORAM WEISS	1
Abstract	2
1. Introduction	3
2. Wages and employment over the life cycle – A first glance	5
2.1. The pooled data	6
2.2. Cohorts and cross-sections	8
2.3. Panel data	8
2.4. Individual growth rates	11
2.5. The questions	17
3. Models of wage growth	17
3.1. Investment	18
3.2. Investment in school and on the job	20
3.3. Search	22
3.4. Comparison of investment and search	23
3.5. Putting the two together	24
3.6. Human capital and skills	25
3.7. Wages, productivity and contracts	29
3.8. Unobserved productivity and learning	32
4. Basic findings and their interpretation	35
4.1. Mincer's earnings function	35
4.2. The variance covariance structure of earnings	39
4.3. Labor mobility and wage growth	52
4.4. Learning	56
5. Data appendix: Data and sample-inclusion criteria	62
5.1. The CPS individual-level repeated cross-section data set	62
5.2. The CPS monthly longitudinally matched data	62
5.3. The panel study of income dynamics	63
6. National Longitudinal Survey of Youth (NLSY)	64
References	64

Chapter 2		
Long-Term Trends in Schooling: The Rise and Decline (?) of Public Education		
in the United States		
SANDRA E. BLACK AND KENNETH L. SOKOLOFF	69	
Abstract	70	
Keywords .	70	
1. Introduction	71	
2. Early history	72	
3. Public universities	81	
4. The high school movement	86	
5. Challenges and responses in the late 20th century	89	
5.1. The growth of teachers' unions	93	
5.2. School finance reform: Success or failure?	94	
5.3. Population heterogeneity and support for public schools	96	
6. Conclusion	101	
References	103	
Chamber 2		
Chapter 3 Historical Perspectives on Regial Differences in Schooling in the United States		
Historical Perspectives on Racial Differences in Schooling in the United States WILLIAM J. COLLINS AND ROBERT A. MARGO	107	
Abstract	107	
Keywords 1. Introduction	108	
2. Basic statistics	109	
	110	
2.1. Literacy	111	
2.2. School attendance	121	
2.3. Years of schooling	124	
2.4. Age-in-grade distributions		
2.5. The quality of schooling	134	
2.6. Desegregation 2. Desegregation	136	
3. Race and the returns to schooling: Historical evidence	137	
4. A model of educational attainment	140	
5. Applying the model: An analytic narrative	142	
6. Conclusions and suggestions for further research	148	
Acknowledgements	149	
Appendix	150	
References	150	
Chapter 4		
Immigrants and Their Schooling		
JAMES P. SMITH	155	
Abstract	156	

156

Keywords

Introduction	157
1. Schooling of migrants and the native-born	157
2. The changing education gap of immigrants	160
3. The educational diversity of migrants – legal and unauthorized immigrants	174
4. Foreign students at American schools	178
5. Immigrant education and generational assimilation	184
Conclusions	186
Acknowledgement	187
References	187
Chapter 5	
Educational Wage Premia and the Distribution of Earnings: An International	
Perspective	
FRANCO PERACCHI	189
Abstract	190
Keywords	190
1. Introduction and summary	191
2. Measurement and statistical issues	192
2.1. Comparability of educational attainments	193
2.2. Aggregate data on schooling	195
2.3. Comparability of earnings data	197
2.4. Statistical earnings functions	198
2.5. Measurement errors in micro-level data on schooling	201
3. Educational attainments	202
3.1. Educational composition of the population and the workforce	202
3.2. A model of endogenous schooling	204
3.3. Life expectancy and schooling decisions	209
3.4. Supply and demand	212
3.5. Expectations formations	216
4. Wage premia: Empirical evidence	217
4.1. Single-country studies	218
4.2. Multi-country studies	224
4.3. Studies based on harmonized cross-national data	230
5. Education and the distribution of personal carnings	235
5.1. Methodological aspects	236
5.2. Empirical evidence	240
Acknowledgements	249
References	249
	>
Chapter 6 Educational Wage Premiums and the U.S. Income Distribution: A Survey	
DONALD R. DEERE AND JELENA VESOVIC	255
Abstract	256
Keywords	256
	**

1. Introduction	257
2. Educational wage premiums and the income distribution – early approaches	257
2.1. Occupation and wages	258
2.2. Education and income – early analyses	259
2.3. Improved measurement and analysis - education and wages after the 1940 census	260
3. The human capital revolution	262
3.1. The human capital earnings function	263
3.2. Issues, interpretation and extension	264
4. Increases in the return to human capital and the wage structure	265
4.1. Documenting facts about the changing wage structure	266
4.2. Causes of changes in the wage structure	267
5. Trends in education-wage premiums and the relationship to enrollment	269
5.1. Education and income	269
5.2. Education and wages	273
5.3. Wage dispersion within education groups	275
5.4. Education and earnings	278
5.5. Education and household income	283
5.6. Enrollment and education-wage premiums	287
5.7. Public school quality	289
6. Differences in enrollment, characteristics and earnings	290
6.1. Patterns of college enrollment	290
6.2. Differences in ability and family background	293
6.3. Differences in earnings	295
6.4. Summary	297
7. Concluding remarks	298
Appendix	298
Census data	298
NLSY data	300
References	301
Chapter 7	
Earnings Functions, Rates of Return and Treatment Effects: The Mincer Equation	
and Beyond	
JAMES J. HECKMAN, LANCE J. LOCHNER AND PETRA E. TODD	307
Abstract	310
Keywords	310
1. Introduction	311
2. The theoretical foundations of Mincer's earnings regression	315
2.1. The compensating differences model	315
2.2. The accounting-identity model	316
Empirical evidence on the Mincer model	320
4. Estimating internal rates of return	327

	4.1. How alternative specifications of the Mincer equation and accounting for taxes and tuition	
	affect estimates of the internal rate of return (IRR)	330
	4.2. Accounting for uncertainty in a static version of the model	338
5.	The internal rate of return and the sequential resolution of uncertainty	342
6.	How do cross-sectional IRR estimates compare with cohort-based estimates?	358
7.	Accounting for the endogeneity of schooling	364
	7.1. Estimating the mean growth rate of earnings when r_i is observed	367
	7.2. Estimating the mean growth rate when r_i is not observed	369
	7.3. Adding selection bias	369
	7.4. Summary	370
8.	Accounting systematically for heterogeneity in returns to schooling: What	
	does IV estimate?	370
	8.1. The generalized Roy model of schooling	374
	8.2. Defining treatment effects in the generalized Roy model and relating them to true rates of	
	return	381
	8.3. Understanding why IV estimates exceed OLS estimates of the schooling coefficient	386
	8.4. Estimating the MTE	390
	8.5. Evidence from the instrumental variables literature	392
	8.6. The validity of the conventional instruments	403
	8.7. Summary of the modern literature on instrumental variables	406
9.	Estimating distributions of returns to schooling	407
	Example 1. Access to a single test score	413
	Example 2. Two (or more) periods of panel data on earnings	415
10.	Ex ante and ex post returns: Distinguishing heterogeneity from uncertainty	417
	10.1. A generalized Roy model	418
	10.2. Identifying information sets in the Card model	420
	10.3. Identifying information sets	422
	10.4. An approach based on factor structures	424
	10.5. More general preferences and market settings	428
	10.6. Evidence on uncertainty and heterogeneity of returns	429
	10.7. Extensions and alternative specifications	441
	10.8. Models with sequential updating of information	441
	Summary and conclusions	442
	pendix A: Derivation of the overtaking age	446
App	pendix B: Data description	448
	Census data	448
	Current Population Survey (CPS) data	449
	Tuition time series	449
	Tax rate time series	449
App	pendix C: Local linear regression	450
n a	Tests of parallelism	451
Ref	erences	451

Chapter 8	
The Social Value of Education and Human Capital	
FABIAN LANGE AND ROBERT TOPEL	459
Abstract	460
Keywords	460
1. Introduction	461
2. Growth and production externalities of human capital	462
2.1. Human capital, education and economic growth	463
2.2. Evidence from local data: States and cities	469
2.3. Conclusion: What have we learned from micro-data?	479
2.4. Human capital and growth revisited: American States, 1940-2000	480
3. Job market signaling and the social value of schooling	488
3.1. Diploma effects	492
3.2. Testing JMS using segmented labor markets	495
3.3. Employer learning models	496
4. Conclusions: What do we know about the social value of education?	504
Appendix	505
References	506
Chapter 9	
Why Has Black–White Skill Convergence Stopped?	
DEREK NEAL	511
Abstract	512
Keywords	512
1. Introduction	513
2. Trends in measures of the black—white skill gap	514
2.1. Achievement gaps	522
2.2. Evidence from other test data	526
3. Skills and adult outcomes	538
3.1. Returns to cognitive skills	539
3.2. Education and labor market outcomes	545
4. Investments in children	555
4.1. Shocks to families and communities	558
4.2. Schools	562
4.3. The role of norms	567
5. Conclusion	570
Acknowledgements	573
References	573
Chanter 10	

577

578

578

Education and Nonmarket Outcomes

MICHAEL GROSSMAN

Abstract

Keywords

1.	Introduction	579
2.	Conceptual foundations	580
	2.1. Productive efficiency	580
	2.2. Allocative efficiency	586
	2.3. Schooling effects in the quantity-quality model of fertility	589
	2.4. Biases, biases biases	591
	2.5. Schooling effects in models with endogenous tastes	593
3.	Empirical evidence: Consumption patterns, total consumption, and consump-	
	tion growth	596
	3.1. Consumption patterns	596
	3.2. Total consumption	597
	3.3. Consumption growth	598
4.	Empirical evidence: Health	599
	4.1. Adult health	600
	4.2. Child health	615
5.	Empirical evidence: Other outcomes	622
6.	Conclusions	625
Acl	knowledgements	627
Ref	ferences	628
LA	es Learning to Add up Add up? The Returns to Schooling in Aggregate Data NT PRITCHETT	635
Ab	stract	636
Key	ywords	636
1.	Introduction: Why mess with aggregate data?	637
2.	Does schooling help explain puzzles in economic growth?	639
	2.1. The "Jones critique" is general	639
	2.2. Divergence in output per worker, convergence in schooling per worker	641
	2.3. Massive slowdown	643
	2.4. Volatility of growth	646
	2.5. Schooling and labor productivity growth	649
	2.6. Summary on growth and education	652
3.	Does macro-Mincer exceed micro-Mincer?	652
	3.1. How big of an output externality should we be looking for?	653
	3.2. Measuring years of schooling and Mincer increments	654
	3.3. Are macro-Mincer and micro-Mincer consistent	664
	3.4. Reduced form regressions	677
	3.5. Summary of cross-national estimates of returns to schooling	681
	Directions forward on estimating cross-national returns to schooling	686
-	Conclusion	691
	knowledgements	692
KCi	crences	692

Chapter 12

nte	erpreting the Evidence on Life Cycle Skill Formation	
L	AVIO CUNHA, JAMES J. HECKMAN, LANCE LOCHNER AND DIM-	
Tk	RIY V. MASTEROV	697
٩b	stract	698
(ey	ywords	699
1.	Introduction	700
2.	A summary of the empirical evidence on life cycle skill formation	709
	2.1. Human capital accumulation	709
	2.2. Early test score differentials	711
	2.3. The evidence on the importance of noncognitive skills	717
	2.4. Critical periods, sensitive periods, and socioemotional bases of skill formation and reme-	
	diation	719
	2.5. Interpreting the role of family income: The evidence on credit constraints	729
	2.6. What is known about specific policies to foster ability and skill?	750
3.	Using the technology of skill formation to explain the evidence	780
	3.1. A model of skill formation	780
	3.2. The technology of skill formation in overlapping generations economies	793
	3.3. The technology of skill formation in a model with credit constraints	795
	3.4. The technology of skill formation in a model with market incompleteness	796
4.	Summary and conclusions	799
\cl	knowledgements	802
۱q۴	pendix A	802
	A.1. The general technology of skill formation	802
	A.2. Relationship with the Ben-Porath (1967) model	804
Ref	erences	805
\ut	thor Index	J-1
ul	eject Index	I-13