

The Effect of Parents' Schooling on Child's Schooling; A Nonparametric Bounds Analysis

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Abstract

Many studies find a significant positive association between parental and child's schooling. Since this need not be a causal impact, different identification strategies have been applied in the recent empirical literature. These identification methods generally put strong requirements on the data and one always has to make a number of assumptions to give a causal interpretation to the results. This paper uses a different approach to investigate the effect of parents' schooling on child's schooling; a nonparametric bounds analysis based on Manski and Pepper (2000), using the most recent version of the Wisconsin Longitudinal Study. We start with making no assumptions and then add some relatively weak and testable assumptions to tighten the bounds. Although the bounds on the treatment effects include a zero effect, the upper bounds are informative especially for the effect of increasing parents' schooling from a high school degree to a bachelor degree. Both for the effect of mother's schooling as for the effect of father's schooling the nonparametric upper bounds are significantly lower than the OLS results.