Identifying Marginal Returns to Education Through Social Networks

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Declaration

Except where appropriately acknowledged this thesis is my own work, has been expressed in my own words and has not previously been submitted for assessment.

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Abstract

This thesis explores the role of peers in influencing the decision of individuals to attend college and the resulting labour market outcomes. It proposes a model, combining the econometric methods of networks and treatment effects, to estimate the marginal treatment effect of education when peers have influence on the wage outcome and probability of treatment for an individual. Using Monte Carlo simulations, the effect of networks on the treatment effects model is investigated. We further explore the model by varying the network structure and conducting sensitivity analyses, considering the impact of networks on policy. Our results suggest that networks initially have a significant positive impact on the returns to education and the effects of policy. However, this effect is reduced once homophily in characteristics is introduced.

Contents

1 Introduction 1

2 Review of Literature 3

2.1 Peer Effects 3

2.2 Returns to Education 7

3 Model 9

3.1 College Attendance Decision 11

3.2 The Wage Model and Returns to Education 14

4 Estimation 17

4.1 Estimating College Attendance 17

4.2 Estimating Marginal Returns to Education 20

5 Monte Carlos 21

5.1 Baseline Model 21

5.2 Alternate Network Models 27

5.3 Relating Network Formation to $\boldsymbol{Z}$ 29

5.4 Sensitivity Analysis 33

5.5 Policy Effects 43

6 Conclusion 44

Appendix A Additional Figures and Tables **52**

List of Figures

1 Watts-Strogatz network graphs 23

2 Support of P conditional on $\boldsymbol{X}$ 25

3 Baseline graphs of the marginal treatment effect (MTE) 26

4 MTE - Changes in network specification 28

5 MTE - Correlating network formation with $\boldsymbol{Z}$ 31

6 MTE - Network size=[200 100 100 100] 34

7 MTE - Altering model coefficients 39

8 MTE - $\boldsymbol{X}$,$\boldsymbol{Z}$ and α correlated 41

9 MTE - Correlated error terms 42

A.1 MTE - Bootstrapped errors 52

A.2 MTE - Networks dependent on $\boldsymbol{X}$ 53

A.3 MTE - Correlated network 53

A.4 MTE - Network size=[300 150 40 10] 54

A.5 MTE - Alternate model specifications 55

List of Tables

1 Incorporating peer effects 27

2 Effect of networks on policy 29

3 Linking networks and $\boldsymbol{Z}$ 30

4 Changing the unobserved network effect 35

5 Alternate model specifications 37

6 Coefficient specification 39

7 $\boldsymbol{X}$,$\boldsymbol{Z}$ and α correlated 41

8 Correlated error terms 43

9 The effect of localised policies 43

A.1 Network size=[300 150 40 10] 54