Assortative Matching and the Education Gap

This paper attempts to explain the decrease and reversal of the education gap between males and females. The education decisions of heterogeneous agents are modelled as an assignment game with endogenous types. In the first stage agents choose their education level and in the second they participate in the labor and marriage markets. Competition among potential matches ensures that the efficient education levels can always be sustained in equilibrium, but there may be additional equilibria with inefficient investments. Asymmetries intrinsic to the modelled markets (relative abundance of females and the observed evolution of the wage di§erential) generate dissimilar education decisions from sets of agents with identical cost distributions. The model theoretically reproduces the behavior of the observed education gap.

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