

What Accounts for the Racial Gap in Time Allocation and Intergenerational Transmission of Human Capital?*

George-Levi Gayle[†] Limor Golan[‡] Mehmet A. Soytaş[§]

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Abstract

This paper analyzes the sources of the racial difference in the intergenerational transmission of human capital by developing and estimating a dynastic model of parental time and monetary inputs in early childhood with endogenous fertility, home hours, labor supply, marriage, and divorce. It finds that the racial differences in the marriage matching patterns lead to racial differences in labor supply and home hours of couples. Although both the black-white labor market earnings and marriage market gaps are important sources of the black-white achievement gap, the assortative mating and divorce probabilities racial gaps accounts for a larger fraction of it.

Keywords: Life-cycle dynastic models, household allocation of resource, estimation of dynamic game of complete information, human capital production function, quantity-quality trade-off. **JEL classification:** C13, J13, J22, J62

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[†]Federal Reserve Bank of St. Louis and Department of Economics, Washington University in St. Louis, Campus Box 1208, One Brookings Drive, St. Louis, MO 63130. Email: ggayle@wustl.edu.

[‡]Federal Reserve Bank of St. Louis and Department of Economics, Washington University in St. Louis, Campus Box 1208, One Brookings Drive, St. Louis, MO 63130. Email: lgolan@wustl.edu.

[§]Graduate School of Business, Ozyegin University, Nisantep Mahallesi, Orman Sokak No: 34-36, Istanbul, Turkey 34794 Email: mehmet.soytas@ozyegin.edu.tr.