

Incentivizing Schooling with the College Dream: Evidence from China's College Expansion*

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Abstract

Schooling is a sequential investment such that the option of obtaining higher-level education is crucial. When college is capacity constrained, the prospect of going to college incentivizes students to enroll in secondary school. This paper present evidence from China's college expansion during 1989-2011. Beyond the 9 years of compulsory education, high school (senior secondary) education, grades 10-12, is optional but required for college admission. The system makes each province essentially an independent market where students only compete with within-province peers for admission at all colleges in the country. Exploring provincial variations in college enrollment quota with an IV approach, we find the total enrollment rate in senior secondary education increases when college expands. Based on the estimation results, we discuss counterfactual policies, for example, allocating enrollment quota to each province proportional to population.

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