

Sorting, Selection, and Transformation of

Return to College Education in China¹

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Abstract

We estimate selection and sorting effects on the evolution of the private return to schooling for college graduates during China's reform between 1988 and 2002. We find evidence of substantial sorting gains under the traditional system, but gains have diminished and even become negative in the most recent data. We take this as evidence consistent with the growing influence of private financial constraints on decisions to attend college as tuition costs have risen and the relative importance of government subsidies to higher education has declined.

Keywords: Return to schooling, sorting gains, heterogeneity, financial constraints, comparative advantage, China

JEL Codes J31, J24, O15

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