Abstract

This paper studies how the choice of college and major are related to life cycle earnings in a context where selection bias can potentially confound direct measurement. Three decades of ranked college applications and assignment data for the population of college students in Chile are linked to a decade of administrative tax data on earnings which allow for the study of student choices, college and major affect earnings. Application behavior, OLS earnings regressions and thousands of different RD earnings estimates are tied together using a parsimonious model of college major choice and earnings determination. After considering for the presence of selection bias, results stemming from the analysis suggest that there is considerable heterogeneity that is predictable across options. This heterogeneity can be explained by a combination of course content and observable comparative advantage given by interactions of major characteristics and student skills.