

COHORT SIZE AND SCHOOLING CHOICE*

Christopher J. Flinn

*Department of Economics
New York University
New York, NY 10003
[Fax Number (212) 995-3932]*

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Abstract

We develop a perfect-foresight overlapping generations model to investigate the effects of cohort size on schooling decisions and cohort-specific welfare measures. A set of sufficient conditions are presented which ensure the existence of a unique sequence of human capital rental rates and schooling choices for any sequence of cohort sizes. We perform a small simulation exercise in which we examine schooling and welfare elasticities defined with respect to own cohort size and the sizes of neighboring cohorts; the welfare elasticities are decomposed into a part attributable to the direct effect of cohort size change [*i.e.*, ignoring changes in schooling choices] and an indirect, or equilibrium, effect attributable to changes in schooling choices. For the range of structural parameters utilized, the absolute size of the direct cohort size effect is typically an order of magnitude greater than that of the equilibrium effect.

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