

Sorting and Long-Run Inequality

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Abstract

Many social commentators have raised concerns over the possibility that increased sorting in society can lead to greater inequality. To investigate this, we construct a dynamic model of intergenerational education acquisition, fertility and marital sorting and parameterize the steady state to match several basic empirical findings. Contrary to Kremer's (1997) findings of a basically insignificant impact of sorting on inequality, we conclude that increased marital sorting will significantly increase income inequality. Three factors are central to our findings: a negative correlation between fertility and education, a decreasing marginal effect of parental education on children's years of education, and wages that are sensitive to the relative supply of skilled workers.

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