

Abstract

This paper provides a new explanation for the narrowing of the gender educational gap and its reversal. It highlights the indirect effect of the returns to human capital on the bias in parents' preferences for sons and its impact on the demand for children and their education. We assume that parents maximize the full income of their children and that males have an additional income, independently of their level of education. This additional income has two effects. First, it biases parental preferences towards sons. Second, it implies that females have relative advantage in producing income through education. We show that when the relative returns to human capital are sufficiently low, the bias in parents' preferences towards sons is relatively high. This implies that parents who obtain daughters in their first births end up with more children. Since daughters, on average, are born to larger families, daughters are provided with less education. As the returns to human capital increase, gender differences in producing income diminish, and, therefore, parents' bias towards sons declines. This decline reduces the variation in family size and weakens the positive correlation between family size and the number of daughters. Ultimately, when the returns to human capital are sufficiently high, the relative advantage of females in education dominates differences in family size, triggering the reversal in gender education gap.