Discussion of

Equilibrium Effects of Education Policies: A Quantitative Evaluation

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Ambitious and important paper

- Endogenous labor supply
- Agents' heterogeneity (permanent ability and uninsurable efficiency shocks)
- Transmission of ability across generations
- Intervivos transfers from parents to children ease liquidity constraints for education decisions

Main results so far

- Evaluating policies in general equilibrium is very important (Heckman, Lochner, and Taber)
- Increased education subsidization can crowd out parental transfers
- My punchline: paper is very promising

Explain what is going on more

Really rich model. A lot is going on.

- Study more model implications.
- Explain model driving forces.
- Which market imperfections are most important? Borrowing constraints, labor market risk, lack of insurance against child ability?
- Use model to design policy experiments that address such market imperfections.
- Along what lines can we possibly simplify the model?

Future work: use simplified version of this model

- Transitions. What happens when
  - We keep increasing the cost of education.
  - There is a credit crisis like the one we have experienced.
  - We experience labor market stagnation.
  - There are demographic changes like aging of the population.
- Family formation and male/female labor supply.
- Formation of ability in early childhood.