

THE EFFECT OF EDUCATION ON EQUITY HOLDINGS

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ABSTRACT

We study the effect of education on equity ownership in the form of stocks or mutual funds (outside of retirement accounts). We find a causal effect of education on stockholding using the number of colleges in the county where the respondent grew up as an instrument and data from the Panel Study of Income Dynamics. The effect is particularly strong for whites from non-privileged backgrounds. We explore the channels through which education affects equity holdings using the Wisconsin Longitudinal Survey and find that, controlling for family fixed effects, increased cognition and features associated with having a white collar job appear to be the main channels.

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