What You Don’t Know CAN Hurt You—or at Least Mislead You: Family Behaviors, Unobserved Heterogeneities, and the Determinants and Impacts of Human Resources over the Life Cycle
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Abstract: What one does not know, in the form of unobserved heterogeneity, can mislead one in empirical estimates. A simple model of intrahousehold allocations illustrates the possible importance of unobserved factors such as abilities in determining human resources and their impacts. The author reviews over forty years of studies primarily from Latin America and the Caribbean, but also from elsewhere, to illustrate the substantial empirical importance of unobserved heterogeneity with regard to preferences and intrahousehold allocations, schooling returns, school quality, early life nutrition, and program evaluation.