Recent research studies cover the varying perspectives on education by ethnicity and race and the methods in which families exert influence over educational choices. In addition, a number of studies that are rooted in Human Capital Theory evaluate returns to schooling—education increases an individual’s productivity and contributes to an individual’s capacity to improve his or her financial and social well-being. Using Consumer Expenditure Survey microdata, this article extends previous research on human capital and investment in education by examining the patterns of educational expenditures by race and ethnicity. The results reveal that differences in investment arise principally from (1) differences in college attendance and (2) the likelihood to assume educational expenditures. Once families decide to invest in their children’s higher education, little difference exists in the level of expenditures between racial and ethnic groups.

“Western parents try to respect their children’s individuality, encouraging them to pursue their true passions, supporting their choices, and providing positive reinforcement and a nurturing environment. By contrast, the Chinese believe that the best way to protect their children is by preparing them for the future, letting them see what they’re capable of, and arming them with skills, work habits, and inner confidence that no one can ever take away.”

—Amy Chua, Battle Hymn of the Tiger Mother

As an example shown by the excerpt from Chua’s book, recent popular literature discusses the varying perspectives on education by ethnicity and race and the ways in which families exert influence over educational choices. Higher education, after all, contributes to an individual’s capacity to earn a livelihood and improve his or her financial and social well-being, regardless of race or ethnicity.
In his book Human Capital, Nobel laureate economist Gary Becker\(^3\) articulated the premise that human capital arises out of any activity that increases individual productivity.\(^4\) Education is one such activity that increases the productivity of the individual, requiring the direct cost of the education (tuition, books, and housing) and the foregone earnings during education. In much the same way that a unit of physical capital such as production machinery generates a stream of production benefits (lightbulbs, automobiles, or basketballs) with market value, human capital that increases as a result of an investment in education will generate an augmented stream of earnings and social benefits that will accrue as long as the educational investment has market and social values.

Human capital is primarily produced in the family and in schools. According to Becker, parents’ altruistic investment in the child’s education depends on their willingness to forgo their own consumption for the sake of the child and on the likelihood that the investment will yield economic and intrinsic personal and social benefits for the child.

In addition, because education improves human capital, society accrues the benefits of a more productive workforce that contributes through specialization and innovation. Moreover, families accrue the direct and indirect benefits of family members who are more productive and better able to provide greater economic support to the family. Families that invest in the human capital of their children receive the social benefits of higher education, to include increased social opportunities and the positive social impression made by the individual and the family. The family is integral to the investment decision as well as the subsequent benefits to the child, the family, and society. In the words of Becker,\(^5\)

“No discussion of human capital can omit the influence of families on the knowledge, skills, health, values, and habits of their children. Parents affect educational attainment, marital stability, propensities to smoke and to get to work on time, and many other dimensions of their children’s lives.”