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IN EDUCATION

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ABSTRACT

Concerns about social image may negatively affect schooling behavior. We identify two potentially important peer cultures: one that stigmatizes effort (thus, where it is “smart to be cool”) and one that rewards ability (where it is “cool to be smart”). We build a model showing that either may lower the takeup of educational activities when takeup and performance are potentially observable to peers. We design a field experiment allowing us to test whether students are influenced by these concerns at all, and then which they are more influenced by. We examine high schools in two settings: a low-income, high minority share area and a higher-income, lower minority share area. In both settings, peer pressure reduces takeup of an SAT prep package. We show that this is consistent with a greater concern for hiding effort in the lower-income school, and a greater concern with hiding low ability in the higher-income schools.

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1 Introduction

Most people care, to at least some degree, about their social image or what others think about them.¹ Such concerns are often highly pronounced among adolescents, who may care deeply about establishing an image or identity, and whose behavior may accordingly be heavily influenced by a desire to shape how they are viewed by their peers.² Yet behavior during this period of life, such as in relation to schooling, can also have significant, long-lasting and potentially irreversible consequences. It is therefore important to understand whether, and why, schooling choices are influenced by concerns over social image. For example, Coleman (1961) argued that the some peer “societies” in which teens find themselves may adversely influence educational investments. More recently, Bursztyjn and Jensen (2015) find that schooling investments, including both takeup of a free SAT prep course and effort exerted in practicing for a high-stakes high school exit exam, are greatly, and negatively, affected when those behaviors are observable to peers.³

Yet despite these suggestions of potentially powerful negative effects of image concerns, little is known about exactly *what* image students are concerned with in relation to schooling decisions. In other words, when students make educational choices that may appear to harm their long-run opportunities, what in particular are they trying to signal to their peers? Understanding this underlying motivation is likely to yield important insights both for understanding the root causes of educational underachievement and for designing corrective policy strategies. In this paper, we model two underlying mechanisms for negative peer pressure effects and provide a field test that allows us to disentangle them.

One of the most prominent theories describing the potentially negative effects of peer pressure is the “Acting White” hypothesis modeled in Austen-Smith and Fryer (2005). In their model, students have both a social type and an economic type. In choosing how much educational effort to exert, they face the problem of simultaneously signaling to two audiences: peers and firms. Peers like students who are high social types, while firms want to hire high economic types. As in the classic signaling model of Spence (1973), the psychic cost of studying is assumed to be lower for high economic types. However, if studying is also costlier for high social types (e.g., the opportunity cost is greater), in the “Acting White” equilibrium students reduce their educational effort to avoid sending the signal to peers that they are a low social type. More broadly, the “Acting

¹The idea that a desire to shape one’s social image or signal one’s type may affect behavior is at the core of the concepts of signaling in economics (Spence 1973), impression management or self-presentation in sociology (Goffman 1959) and the role of “situation” in social psychology (Lewin 1936, Ross and Nisbett 1991). Concerns about image or social pressure also appear in the literature on norms (Bénabou and Tirole 2011, Acemoglu and Jackson forthcoming), status goods (Veblen 1899, Frank 1985, Leibenstein 1950, Bagwell and Bernheim 1996), identity (Akerlof and Kranton 2000, 2010), conformity (Bernheim 1994), and pro-social behavior (Bénabou and Tirole 2006).

²Lavecchia, Liu and Oreopoulos (2015) discuss the neuroscience and psychology literature on development in children and adolescents.

³The exception is honors classes, where students taking both honors and non-honors classes are more likely to sign up for the SAT course when their honors peers will observe the decision.

White” hypothesis suggests that minority students may face punishment from peers for exerting effort because it signals that they are weakly attached to the group (Fordham and Ogbu 1986, Austen-Smith and Fryer 2005, Fryer 2007, Fryer and Torelli 2010). Thus for example, when the returns in the labor market are low relative to the returns to group membership, students over some range of underlying ability may decide that signaling group loyalty is more important when choosing educational effort, i.e., it is “smart to be cool.”

However, what if peers also like high economic types?⁴ Being thought of as smart, or at least, not being thought of as unintelligent, may be directly important for utility, or it may be that in some settings, signaling a high economic type to peers has present or future returns. Building on this observation, we propose a new form of peer social concern in education, namely a concern with revealing low ability when high ability is rewarded by peers (i.e., when it is “cool to be smart”). Many actions that students can undertake may reveal their ability or economic type to their peers, such as participating in a class discussion, raising a hand to answer a question posed by the teacher or to ask a question to clarify material, working on a group project, or joining a study group. Some students, such as those with lower ability (or those who worry that they are not as smart as their classmates), may then choose not to undertake such actions for fear of revealing their ability.⁵ More generally, reducing educational effort allows such students to portray themselves to peers as high social types rather than low economic types. Thus, this social image concern results in negative peer pressure effects in education in a way that resembles the “Acting White” hypothesis.

We present a model that incorporates both of these concerns, where students may value either attribute: social type (as in Austen-Smith and Fryer 2005) or economic type (our new proposed mechanism). The model generates predictions about how both mechanisms may influence educational investment behavior, as well as how the two can be differentiated empirically (or at least, how we can infer which of the two is dominant if both are present). In doing so, we build on a much simplified version of Austen-Smith and Fryer (2005), where students have a two-dimensional type (social and economic) and want to signal their social type to their peers. We show that the motive to signal either of the two components (social or economic) is sufficient to result in negative peer pressure, and thus both stories are potentially consistent with the empirically observed phenomenon, namely that some students may not undertake important educational efforts or investments when they are observable to peers.⁶ We further show that augmenting the model with a particularly designed lottery yields differing predictions based on whether concerns for signaling social type or concerns for signaling economic type prevail in a particular setting.

⁴In Austen-Smith and Fryer (2005), peers are assumed not to care about the individual’s economic type (as firms are assumed not to care about their social type).

⁵Alternatively, as we show below, students may seek opportunities that allow them to signal high ability without the risk of actually revealing their true ability. For example, a student may raise their hand in class when the teacher asks a question, but only when many others have also raised their hands, so the likelihood of being called on is low.

⁶In Austen-Smith and Fryer (2005), students care about signaling only their social type to their peers, and thus, only one mechanism of peer pressure is present in their model.

We test the model using a field experiment in Los Angeles public high schools. We offer students an SAT prep package that includes free access to an online app, a diagnostic test, and one-on-one tutoring. The core of our test builds on Bursztyrn and Jensen (2015) in varying at the individual level whether students believe the decision to sign up (and here, the diagnostic test score) will potentially be revealed to classmates. If students behave differently when they believe their decision will be revealed to peers, it indicates the presence of peer social concerns.

To distinguish between the two proposed mechanisms, we add a lottery and vary the likelihood that students who sign up will win the free SAT package. Assume that with probability p , a student who signs up for the lottery will win the package and get the benefit associated with it. When the decision is public, others will also learn that the student signed up. And if they win, their diagnostic test will also be public, which will reveal their ability to others. If effort is stigmatized, signup rates should increase in p when the decision is public.⁷ In effect, if students face a large social cost just for signing up, they will be more likely to sign up and incur this cost when they have a greater chance of winning the lottery and receiving the benefit of the package. By contrast, if fear of revealing ability is present, then signup rates should decrease in p when the signup decision is public. The intuition is that students with low ability can sign up for the package, which allows them to pool with the high ability types, with very little risk of being revealed to be a low ability type (since the diagnostic test score is only revealed if the student wins the package). Thus when the decision to sign up is public, the differential response to p , whether signup increases or decreases in p , allows us to distinguish which of the two motives is present (or, which of the two dominates, since both may apply).

We implement this experiment in three Los Angeles high schools. Driven by the theory, and based on field work, we chose one school where we predict effort stigmatization is likely to be more important (a lower achieving, lower income school with a higher minority share) and two where signaling high ability is more likely to be important (higher achieving, higher income schools with lower minority share), pre-registering these choices. Subsequent surveys in these schools reveal that indeed, students report greater concerns with whether people think they are smart in the latter schools, compared to the former.⁸

⁷The model predicts that p will have no effect on signup when decisions are private, since there are no costs associated with signing up or winning when everything is private.

⁸It is beyond the scope of the present paper to model or test the origin or evolution of peer culture and why it may differ across settings. However, we can offer some suggestive intuition. In the “Acting White” literature, when students have more limited mobility and fewer labor market opportunities with higher human capital requirements, it might be more important to signal social type, since one is likely to keep the same group of friends after high school and derive value from maintaining membership in a network with them. Moreover, group loyalty might be particularly important among groups formed by ethnic minorities (see, Berman 2000, Gans 1962, Lee and Warren 1991, and Ausubel 1977). By contrast, in settings where students are more likely to go to college or have higher mobility, concerns about maintaining membership in a network of high school friends may be less significant. Alternatively, signaling a higher economic type might in fact be more valuable for future employment opportunities within a network when many of your peers may hope for or go on to higher paying jobs with high human capital requirements. Finally, the different school cultures may arise due to historical patterns of access and opportunity. In higher achieving

Overall, we find that signup rates are lower in all schools when the decision (and potentially the diagnostic test score) will be revealed to classmates, consistent with Bursztyn and Jensen (2015). On their own, these results could be taken as evidence of the “Acting White” hypothesis, and we might then conclude that this phenomenon was more widespread than we might have believed, even occurring in schools that have a much lower share of minority students. Alternatively, we may have been tempted to conclude that the “Acting White” hypothesis was not in fact about “Acting White,” but something different altogether. However, our experimental design allows us to differentiate the two different underlying motivations driving this negative peer pressure. In the lower income school, when decisions are public, signup rates are indeed higher when p is greater, consistent with a greater concern over revealing effort (signup rates are unaffected by p when the decision is private). By contrast, signup rates are lower when p is greater in higher income schools when the decision is public, consistent with a greater concern over revealing ability (again, private signup rates are unaffected by p).⁹ And strikingly, in higher income schools, when the decision is public the likelihood of signup declines primarily for students with lower grades when the chance of winning the package is high rather than low;¹⁰ this result is further evidence of the “cool to be smart” mechanism, since such students are most likely to have low scores revealed through the diagnostic test.¹¹ Further consistent with these effects being driven by peer social concerns, in both types of schools we see the biggest effects among students who say it is important to be popular (these are the students who will have the highest concern about how others perceive them). Thus, we find strong support for the model, and evidence of both types of concerns, exactly where they would be predicted.

Although our primary goal is to uncover and disentangle mechanisms behind peer pressure, we also find that students in the public treatment in both types of schools, having been less likely to sign up for the SAT prep package, are significantly less likely to have taken the SAT as of our last follow up survey.¹² These results suggest that peer pressure concerns may be strong, since students

schools with better funding and wealthier and more educated parents, a higher share of students have traditionally gone to college, so doing well in school and preparing for college is the behavior of the majority of students, rather than the exception. By contrast, in lower income and lower achieving schools, students may have historically faced many barriers to accessing college, so students working hard to do well and planning to attend college are perhaps in a small minority, rather than the norm.

⁹Even cutting across schools, if we examine classrooms where students report a greater concern over whether others think they are smart, we see similar patterns.

¹⁰Although grades are an outcome variable, not an innate attribute, they are likely to be correlated with ability. Further, grades will play an important role in college admissions, which will affect future earnings, and thus they are a reasonable proxy for a student’s economic type.

¹¹The same pattern does not hold when the signup decision is private, nor in the lower income school where we predicted that this mechanism is less likely to be present.

¹²However, these are only self-reports. Further, our last follow up was near the end of the academic year, and many students will take the SAT in their senior year. Thus, we may only be capturing that students take it sooner, or perhaps more times, rather than whether they will ever take it. However, both of these outcomes may still be potentially valuable for the student. Separately, we verify that access to the course has effects on test-taking behavior by comparing these outcomes among students randomly assigned to the low and high probability of winning the package, as well by comparing lottery winners and losers.

were willing to give up a lot in order to not reveal effort or ability (the SAT package was valued at \$100 dollars (which is particularly large for these lower income households) and the median reported expected score gain among all students offered the package was about 100-120 points). They also suggest the potential consequences of peer pressure may be significant.

Our paper aims to make several contributions. First, we contribute to the literature attempting to understand the barriers to educational achievement. Under both mechanisms we model, and empirically in both types of schools we examine, students are willing to pass up on potentially valuable opportunities just because of concerns about how their peers will perceive them. Further, we design a test that allows us to distinguish these two very different mechanisms. This is particularly important because the two may suggest very different implications for a wide range of school policies and practices (e.g., information and marketing campaigns, grade privacy, honors recognition and programs, and whether certain school activities should be mandatory), as we further discuss in Section 5.

As an additional contribution within this literature, we model and empirically confirm the importance of a new mechanism, where peers reward ability or economic type, which to the best of our knowledge has not been previously explored in the education context.¹³ We believe that this mechanism may be an important and widespread phenomenon that adversely affects learning and achievement, with the additional implication that negative peer pressure effects may be found outside of just those contexts where we expect the “Acting White” mechanism to be present.¹⁴ The number of activities that may reveal ability, and which thus may be influenced through this mechanism, is large.¹⁵ It is then possible that students may regularly forgo or avoid potentially valuable educational efforts due to this image concern.¹⁶ This in turn could have big impacts on performance and ultimate educational attainment. For example, choosing not to ask a question in class when one doesn’t understand the material (or not speaking up when the teacher asks if everyone understood the material) can cause students to fall far behind, particularly when lessons

¹³In the context of social learning, Chandrasekhar et al. (2016) similarly consider whether some agents may be reluctant to ask questions or otherwise seek information from others because doing so may signal low skill.

¹⁴In fact, the desire to be considered smart may be a more prevalent norm, and it is the unfortunate and unique circumstances of the “Acting White” phenomenon that represent the exception, with a particularly strong, countervailing concern with signaling a high social type overcoming this desire.

¹⁵Beyond those examples already given (asking or answering questions in class; joining in class discussions; participating in group or team assignments; joining a study group), others include: making a presentation in front of the class; attending extra help or review sessions; or joining an academic club (e.g., physics, debate or Model U.N.). In settings where class participation is mandatory or “cold calling” is practiced, even the very act of attending class risks exposing one’s ability.

¹⁶And the lower ability students who would perhaps benefit the most from activities such as asking questions or joining study groups will precisely be the ones that are least likely to do so. Though we also note that the range of impacted students could be even greater. If students care about relative ability within a class or a group of peers, even high ability students might be susceptible to such concerns if they are in honors classes with even higher ability classmates. Finally, even the highest ability students who don’t understand a particular concept or missed the explanation may for example also not ask the teacher for additional clarification because they too worry about maintaining their high ability reputation.

are cumulative and there are few outside opportunities or resources for additional help.

Our paper also contributes to the literature on peer effects in education. Many empirical studies have found that peers can have significant causal effects on important learning and educational outcomes for students (Sacerdote 2001, Zimmerman 2003, Carrell, Fullerton, and West 2009, Duflo, Dupas, and Kremer 2011, and Carrel, Sacerdote, and West 2013). There is also a literature that focuses more broadly on the role of schools and neighborhoods in influencing educational performance and attainment (Oreopoulos 2003, Jacob 2004, Kling, Liebman, and Katz 2007, Dobbie and Fryer 2011, Fryer and Katz 2013). Our contribution to these literatures is in identifying two underlying mechanisms that may influence or drive such effects.

Outside of the educational context, our paper contributes to other literatures as well. Since the seminal work by Spence (1973), there has been a large theoretical literature on social signaling. Recently, a number of empirical studies have provided evidence of the importance of social signaling in a variety of settings, such as effort and performance in the workplace, social learning, voting, political campaign contributions, prosocial behavior, financial decisions and conspicuous consumption (e.g., Ashraf, Bandiera and Jack 2014, Ashraf, Bandiera and Lee 2014, Ariely et al. 2009, Bursztyn et al. 2014, Chandrasekhar et al. 2016, Charles et al. 2009, DellaVigna, List and Malmendier 2012, DellaVigna et al. forthcoming, Mas and Moretti 2009 and Perez-Truglia and Cruces forthcoming; see Bursztyn and Jensen 2017 for a review). We contribute to this literature by experimentally disentangling different underlying social signaling motivations.

This paper also relates to a number of recent studies using field experiments to separate the role of different potential mechanisms behind economic phenomenon (e.g., Karlan and Zinman 2009, DellaVigna et al. 2012, and more closely related, Bursztyn et al, 2014). Unlike previous studies, however, our experiment explicitly departs from different settings where the dominant mechanism is *expected* to be different: it is precisely our goal to show that similar results can be explained by very different channels in different settings. As such, our approach highlights the importance of thinking of the heterogeneity of environments when designing mechanism experiments linked to theory – this could have important implications when considering generalizing a set of findings. For example, consider our basic finding of nearly identical effects of public signup (pooling the signup rates across levels of p) in the two types of schools. In the absence of a more precisely constructed test, one might have incorrectly inferred that the same mechanism applied in both settings.

We also hope to highlight what we consider to be a few methodological advantages to our approach, which uses theory to guide experimental design in a way that allows different mechanisms to be tested with a single experiment (differentiating between effort stigmatization and ability rewarding based on the differential effect of p in the public treatment). First, using the same experiment for both mechanisms, rather than variations in the experiment or altogether different experiments for each, reduces or eliminates the possibility that differences in the experimental design itself may be driving any observed differences across settings. Second, this approach is

also more economical, in that it doesn't require us to run different experiments in each setting to test for the two mechanisms.¹⁷ Finally, by simultaneously testing both mechanisms with a common treatment, we are able to tell which mechanism dominates in a particular setting (running different experiments for each mechanism may just indicate that both are present but not which dominates), which may be the most relevant factor for policy design. Related, for studies interested in understanding different cultural settings, whether school-based or otherwise, this choice-based approach offers a strategy for identifying or revealing underlying cultural factors without the need for subjective appraisals or direct elicitation from respondents.

The remainder of this paper proceeds as follows. In the next section, we present the theoretical framework that incorporates the two types of peer concerns and generates predictions on how they will influence educational investments, and how the two mechanisms can be distinguished from each other. Section 3 discusses the experimental design and the connection to the theory. Section 4 presents the results and considers alternative explanations. Section 5 discusses the policy implications of these results and concludes.

2 Theoretical Framework

The model below is a simplified and modified version of Austen-Smith and Fryer (2005), adapted for the purposes of describing the two mechanisms (as opposed to a single "Acting White" mechanism) and for designing a test to differentiate the two. One notable difference is the payoffs from education. In Austen-Smith and Fryer (2005), ability is not observed, and firms pay wages based on both education and inferred ability, the latter of which is assumed to be greater for those choosing higher levels of education because effort (in our setting, described as the takeup of educational activities) is decreasing in ability (as in Spence, 1973). Thus, higher takeup of educational activities is a signal of higher ability, and if takeup is not stigmatized (students are not treated differently depending on peers' inference of their social type), all students would study more. By contrast, we treat economic ability as also being judged by peers just like social type, and takeup of educational activities is assumed to help reveal true ability (to peers).¹⁸ We show that this alone can make students reduce educational effort in order to avoid revealing that they are low economic types.

In what follows, we first present a simple model of signaling social skills, then augment it to get a model of signaling economic skills. We then introduce a general model that includes a parameter

¹⁷Suppose that we have two mechanisms M_1 and M_2 and two statistics σ_1 and σ_2 , such that $\sigma_i > 0$ if and only if mechanism M_i is at work, for $i \in \{1, 2\}$. To check if one of the mechanisms is present, one would have to compute both σ_1 and σ_2 , which would be expensive if obtaining the two statistics requires different treatments. In addition, this would also be wasteful, because the two tests are one-directional and would ignore information if $\sigma_i < 0$ for either i . In these terms, our tests satisfy $\sigma_2 = -\sigma_1$, which allows us to perform a two-directional test and make use of all information retrieved.

¹⁸Thus, our model of education is not a pure 'signaling' model. For this reason, we will not need to address multiple equilibria and refinements, which are common in signaling models.

p that can be used to disentangle the two cases.

2.1 Simple model of “signaling social skills”

There is a continuum of students. They have an opportunity to participate in a certain educational activity that delivers benefit $b > 0$, but requires time. The opportunity cost of time is assumed to equal c_i , which is a student’s private information. We follow Austen-Smith and Fryer (2005) in assuming that this opportunity cost of time depends on the student’s ‘social type’. Specifically, there are two social types, low and high, so that $c_i = l$ for low social types and $c_i = h$ for high social types with $l < h$; in this way, we save on notation by having c_i denote the social type, $c_i \in \{l, h\}$. We denote the share of low social types by q : $\Pr(c_i = l) = q$. In what follows, we assume that $l < b < h$, so low social types have a positive net benefit $b - l > 0$ from the educational activity, and high social types have a negative net benefit $b - h < 0$ from this activity. To save on notation, we normalize $l = 0$, so the net benefit of low social types equals b .

Students care about their peers’ perception of their social type, and get utility $\lambda_s \mathbf{Pr}_{-i}(c_i = h \mid Info)$, where the latter factor reflects the probability that the peers put on student i being high social type conditional on $Info$, which denotes the history of the student’s actions that are common knowledge (public history). If we let $s_i \in \{0, 1\}$ be the student’s decision to sign up for the educational activity ($s_i = 1$ if the student signs up and $s_i = 0$ otherwise), then a student i solves

$$\max_{s_i \in \{0,1\}} (b - c_i) s_i + \lambda_s \mathbf{Pr}_{-i}(c_i = h \mid Info). \quad (1)$$

In what follows, we distinguish between two settings: private and public. In the private setting, a student’s decision is not observed by peers, so $Info = \{\emptyset\}$ (empty public history) regardless of the student’s choice. In the public setting, the decision is observed by the peers, and thus $Info = s_i$.

This model is easy to analyze. In the private setting, the second term in (1) is a constant unaffected by s_i , and student i maximizes $(b - c_i) s_i$. The student therefore chooses $s_i = 1$ if and only if $b - c_i > 0$, i.e., only if $c_i = l$. Consequently, the share of students who sign up is q , and all those that do sign up are low social types, whereas high social types do not sign up.

In the public setting, high social types (students with $c_i = h$) do not sign up either (the proof of the proposition below fills in the details). Suppose that share r of students with $c_i = l$ sign up. If so, the payoff of an individual student from signing up is $b - c_i$ (in this case, peers know that the student is a low social type); the payoff from not signing up equals, by Bayes’ formula, $\lambda_s \frac{1-q}{q(1-r)+1-q} = \lambda_s \frac{1-q}{1-qr}$. Solving for r , we obtain the following proposition.

Proposition 1. (*Signaling social type*) *In the private setting, only students with positive net benefit (low opportunity cost $c_i = l$) sign up, so the share of students who sign up equals q . In the public setting, the share of students who sign up equals q if $\lambda_s \leq b$; equals $1 - \frac{\lambda_s}{b} (1 - q) \in (0, q)$ if $\lambda_s \in \left(\frac{b}{1-q}, b\right)$, and equals zero if $\lambda_s \geq \frac{b}{1-q}$.*

In other words, signup in the public setting is weakly lower than signup in the private setting, and strictly lower if λ_s is high enough ($\lambda_s > b$).

2.2 Simple model of “signaling economic skills”

Consider the same model, but assume now that each student also has ability a_i (‘economic type’). Suppose that ability is distributed on $[0, 1]$ for students with either value of c_i .¹⁹ Suppose that students do not get stigmatized or rewarded for being high or low social type, so $\lambda_s = 0$; however, they get rewarded for their perceived ability, with coefficient λ_e . In addition, assume that in the public setting, signing up reveals not only the fact of signing up s_i , but also the student’s ability a_i (again, peers learn about a student’s ability when they answer or ask a question in class, during participation in study group or similar activities). The student’s problem is therefore

$$\max_{s_i \in \{0,1\}} (b - c_i) s_i + \lambda_e \mathbf{E}_i (\mathbf{E}_{-i}(a \mid \text{Info}) \mid a_i); \quad (2)$$

here, $\text{Info} = \{\emptyset\}$ in the private setting and $\text{Info} = (s_i, a_i)$ in the public setting. In what follows, we assume that $h \gg 0$, specifically, that $h > b + \lambda_e$; this ensures that students with high opportunity costs do not sign up just to reveal their high ability, which would lead to positive peer effects, whereas our focus is on negative peer effects.

In this version of the model, the private setting is unchanged: a student signs up if and only if $c_i = l$. In the public setting, among students with $c_i = l$, smarter students sign up, as they are more interested in revealing their economic type. More precisely, students with a_i close to 1 always sign up. If $\lambda_e \leq 2b$, then even a student with $c_i = l$ and $a_i = 0$ prefers to sign up: indeed, in such an equilibrium, by signing up this student reveals his low economic type but gets the benefit b ; if he does not sign up, he pools with high social types, who on average have ability $\frac{1}{2}$. For $\lambda_e > 2b$, the equilibrium takes the form of a cutoff: students with $a_i \geq t$ sign up and students with $a_i < t$ do not. The cutoff t may be found from the following indifference condition:

$$b + \lambda_e t = h \left(\frac{1 - q}{1 - q + qt} \frac{1}{2} + \frac{qt}{1 - q + qt} \frac{t}{2} \right).$$

Solving for t , we obtain the following proposition.

¹⁹We follow Austen-Smith and Fryer (2005), who also adopt this assumption for simplicity. In general, there is no reason to believe that the distributions are the same or, more generally, that ability and social skills are uncorrelated. Furthermore, the correlation may have either sign. Students with a high opportunity cost (i.e., high social type) may also have low ability because they have never invested in this ability, which would imply negative correlation between ability and social type. Alternatively, high ability students are already very well prepared for the SAT, and their opportunity cost of studying further to obtain the same benefit is high; this would imply positive correlation between ability and social type. We prefer to remain agnostic about the true correlation and adopt the independence assumption for convenience. We note, however, that the results would remain unchanged for low or moderate levels of correlation, because the baseline results are not knife-edge.

Proposition 2. (*Signaling economic type*) Suppose h is sufficiently high, specifically $h > b + \lambda_e$. In the private setting, the share of students who sign up equals q . In the public setting, the share of students who sign up equals q if $\lambda_e \leq 2b$; and it equals

$$1 + \frac{bq}{\lambda_e} - \sqrt{1 - q + \frac{b^2q^2}{\lambda_e^2}} < q$$

for $\lambda_e > 2b$.

In other words, the share of students who sign up in the private and public settings is identical for low λ_e , while the share is lower in the public setting for λ_e above a certain threshold.

2.3 Introducing a lottery to separate the two mechanisms

We now consider a joint model of signaling social and economic skills (in other words, we consider the case where both λ_s and λ_e may be positive). Furthermore, we now assume that a student who chose $s_i = 1$ (signed up) gets to participate in the educational activity with probability $p \in (0, 1)$ (formally, there is a random variable $w_i \in \{0, 1\}$ that is drawn independently of (a_i, c_i) and such that $\Pr(w_i = 1) = p$). Technically, this means that with probability p , the student gets the benefit b and pays the opportunity cost c_i (and reveals his ability a_i in the public setting); with complementary probability $1 - p$, he neither gets the benefit nor pays the cost, and in the public setting only s_i is revealed, but not a_i .

The student of type (a_i, c_i) therefore solves

$$\max_{s_i \in \{0, 1\}} p(b - c_i) s_i + \lambda_s \Pr_{-i}(c_i = h \mid Info) + \lambda_e \mathbf{E}_i(\mathbf{E}_{-i}(a \mid Info) \mid a_i). \quad (3)$$

Here, $Info = \{\emptyset\}$ in the private setting. In the public setting, $Info$ is a vector $(s_i = 0, \emptyset, \emptyset)$ if the student did not sign up, a vector $(s_i = 1, w_i = 0, \emptyset)$ if the student signed up but lost the lottery, or a vector $(s_i = 1, w_i = 1, a_i)$ if the student signed up and won the lottery, in which case his ability a_i is also revealed.

The result in the private setting is identical to the previous cases: the share of students who sign up is q . In the public setting, high social types ($c_i = h$) do not sign up, and the strategies of low social types satisfy a single-crossing condition: if a student i with ability a_i (and $c_i = l$) signs up, then so does a student j with ability $a_j > a_i$. Thus, there is a threshold t such that students with $a_i > t$ sign up and those with $a_i < t$ do not. For a student with type $(a_i, c_i = l)$, the expected

utility if he signs up equals²⁰

$$U_{s_i=1}(a_i, c_i) = pb + \lambda_e \left(pa_i + (1-p) \frac{1+t}{2} \right),$$

and the expected utility if he does not equals

$$U_{s_i=0}(a_i, c_i) = \lambda_s \frac{1-q}{1-q+qt} + \lambda_e \left(\frac{t}{2} \frac{qt}{1-q+qt} + \frac{1}{2} \frac{1-q}{1-q+qt} \right);$$

notice that the latter does not depend on the student's type. An interior threshold $t \in (0, 1)$ corresponds to an equilibrium if and only if $U_{s_i=1}(a_i, c_i) = U_{s_i=0}(a_i, c_i)$ for $a_i = t$.

We thus have the following proposition.

Proposition 3. (Characterization of equilibrium) *Suppose $h > b + \lambda_s + \lambda_e$. Then there is a unique²¹ equilibrium that satisfies the D1 criterion.²² In the private setting, the share of students who sign up equals q . In the public setting, the share of students who sign up equals q if and only if $\lambda_s + \lambda_e \frac{p}{2} \leq pb$. If $\lambda_s \geq \frac{pb}{1-q} + \frac{\lambda_e}{2(1-q)}$, then nobody signs up, and for $\lambda_s \in \left(pb - \lambda_e \frac{p}{2}, \frac{pb}{1-q} + \frac{\lambda_e}{2(1-q)} \right)$, the share of students who sign up is given by*

$$\frac{1+p}{2p} + \frac{qb}{\lambda_e} - \sqrt{\left(\frac{1+p}{2p} + \frac{qb}{\lambda_e} \right)^2 - q \left(\frac{1}{p} + \frac{2b}{\lambda_e} + \frac{2\lambda_s(1-q)}{\lambda_e} \right)} \in (0, q).$$

Thus, the share of students in the public setting is the same as in the private setting if both λ_s and λ_e are small, and is smaller than in the private setting if either λ_s or λ_e are large. We now turn to comparative statics.

Proposition 4. (Comparative statics) *The share of students who sign up in the public setting is (weakly) decreasing in λ_s . It is also (weakly) decreasing in λ_e if λ_s is low enough,²³ and is increasing in λ_e otherwise. Furthermore, as p increases, more students sign up if $\lambda_s > \frac{\lambda_e - 2b}{2(1-q)}$ and fewer students sign up otherwise.*

These comparative statics results are summarized in Figure 1. Most importantly for our purposes, they imply the following. If λ_e is high relative to λ_s (for example, if $\lambda_s = 0$), then an increase

²⁰In a putative equilibrium where nobody signs up, this is only true for properly chosen out-of-equilibrium beliefs. Proposition 3 shows that this holds in any equilibrium that satisfies the D1 criterion (Cho and Kreps, 1987).

²¹Up to behavior of marginal types that may be indifferent; these types have measure zero.

²²Without this requirement, there may be additional equilibria, such as one where nobody signs up, and a student who signs up would be believed to have $c_i = l$ and, unless proven otherwise, $a_i = 0$. This equilibrium fails the D1 criterion because the student that gains the most from deviation has $a_i = 1$, as there is a positive probability that this high a_i will be revealed. In this signaling game, the receiver is nonstrategic, but one can easily adapt Cho and Kreps (1987) to this case by assuming that it is strategic and has a unique best response that gives the sender (student) the assumed payoff.

²³More precisely, if $\lambda_s < \frac{b}{2(1-q)} \left(\sqrt{(1-p)^2 + 4p(1-q)} - (1-p) \right)$.

in p would decrease the share of students who sign up in the public setting. If λ_e is small and λ_e is not, then an increase in p would increase this share. In other words, the effect of p depends on the relative importance of signaling of one’s social type and economic type to peers.²⁴

3 Experimental Design and Connection with Theory

3.1 Experimental Design

We conducted our experiment in three public high schools in two areas of Los Angeles, between December 2015 and February 2016. We focused on 11th grade classrooms, since this is when students typically begin preparing for the SAT. The first school is large, with over 3,000 students, and located in a lower income area of Los Angeles. In this school, 97% of students are Hispanic/Latino, 74% are eligible for free or reduced-price meals and the median income in the school’s ZIP code is about \$44,000. Approximately 54% of seniors take the SAT, and the average score is around 1,200. Our sample contains 257 students from this school. The second and third schools both have over 2,000 students and are located in higher income areas of Los Angeles. Averaging across the two schools, 33% of students are Hispanic/Latino, 41% are white, 41% are eligible for free or reduced-price meals and the median income is about \$66,000. Approximately 60% of seniors in these schools take the SAT, and the average score is around 1,500. We have 254 students from these two schools in our sample. Combined across the three schools we have 511 students, in 17 classrooms.

Based on our priors and field work, we chose, and pre-registered, these particular schools for testing our model because we expected effort stigmatization to dominate in the first school and ability rewarding to dominate in the other two. Though ultimately our experiment is specifically designed to test whether this is the case, we can provide some preliminary evidence that supports our priors. After our experiment was complete, we asked students to fill out a survey (this, and all other survey forms, are provided in the Supplemental Appendix) that included the following item: “To be popular in my school it is important that people think I am smart.” (1: strongly disagree ... 5: strongly agrees). In the lower income, higher minority share school, the mean response was a 2.39. By contrast, the mean was 2.90 in the higher income, lower minority share schools. The difference is statistically significant at the 1 percent level.

As in Bursztyrn and Jensen (2015), the core of our experiment involved offering students the opportunity to sign up for complimentary access to an SAT preparation package. Students were handed a form at their desks that included the following:

²⁴We also considered an alternative setting where educational effort is stigmatized directly, instead of merely being a signal of low social type. This would lead to a very similar model, with only $s_i = 1$ replacing $c_i = h$ in the second term of Equation (3). The results are qualitatively similar and are available upon request. We note, however, that the setting presented in the paper is both more in line with Austen-Smith and Fryer (2005), as well as our survey results discussed in Subsection 4.4.

“[Company Name] is offering a chance to win an SAT prep package intended to improve your chances of being accepted and receiving financial aid at a college you like. The package includes:

- Premium access to the popular [App Name] test prep app for one year;
- Diagnostic test and personalized assessment of your performance and areas of strength and weakness;
- One hour session with a professional SAT prep tutor, tailored to your diagnostic test.

This package is valued at over \$100, but will be provided completely free.”

Thus, students were told the value of the SAT preparatory package was over \$100 and they appear to have highly valued it. Beyond the very high signup rates, as shown below, students appeared to believe the package could have a big impact on their test scores. Though the form did not mention any specific expected impact on test scores, when asked on the second survey form, the median expected point gain reported by all students in school 1 (not just those who signed up) was 100 (with an average of 426). In schools 2 and 3, the median was 123 (with an average of 338). Thus, forgoing signup, just due to peer social image concerns, represents a real perceived cost to students.

Within this offer, we used a 2x2 design, cross-randomizing: (i) the probability of winning the package conditional on signing up during the experiment, and (ii) whether students were told that the other students in the room would observe their signup decision and diagnostic test score. Accordingly, the signup form continued as follows:

“If you choose to sign up, your name will be entered into a lottery where you have a 25% [75%] chance of winning the package.

Both your decision to sign up and your diagnostic test score will be kept completely private from everyone, including [except] the other students in the room.

Would you like to sign up for a chance to win the SAT prep package?”

We refer to the forms containing the 25% chance of winning the lottery as the *Low probability* condition, and those with the 75% chance as the *High probability* condition. Forms with the word “including” are the *Private* condition, and those with the word “except” are the *Public* condition. The forms, shown in the Supplemental Appendix, were otherwise completely identical for the various treatment groups.

Forms with the differing treatments were pre-sorted in an alternating pattern and handed out to students consecutively in their seats.²⁵ By varying treatment status among students within classrooms, our design ensures that students in the various groups otherwise experience the very same classroom, teacher and overall experimental environment.

Students were instructed to hold their questions and refrain from communicating with anyone until after all of the forms had been collected by our team. Thus, students could not coordinate on their sign-up decisions or observe what other students were choosing. Further, because students could not communicate with each other, and because the forms looked nearly identical at a glance, they would not have been aware that others were being given different privacy assurances or a different likelihood of winning the lottery.

After the first form was collected, we distributed a second form containing additional questions, discussed in more detail below, followed by assent and consent forms.²⁶

Though we have four different conditions, the forms were extremely similar, varying only in a single word, “except” or “including,” and/or a single digit, 2 or 7. As with varying treatment among students within classrooms, a big advantage to this approach is that the different treatment arms are therefore treated identically in every other way, with nothing else differing that might drive different responses, other than the single word relating to privacy or the single digit relating to the likelihood of receiving the package. One disadvantage is that if students don’t read carefully or pay close attention, they might overlook these critical details. However, to the extent that this happens, it would weaken our test, suggesting the effects are even stronger than what we measure. As noted in the introduction, another strength of our design is that the two mechanisms generate predictions of changes in take-up as a response to varying p that go in *different directions*.

It is worth highlighting some distinctions between the experimental design applied here and the one used in Bursztyn and Jensen (2015). First, we include a lottery with varying probabilities of winning the package, rather than giving it to all students who sign up. Second, the SAT prep package in the current design includes a diagnostic test, the results of which will be revealed in the public condition for students who win the package. Finally, in the public condition, there is a difference in the likelihood that it is revealed that you signed up for the course (this happens with certainty) and whether others learn your diagnostic score (which only occurs if you win the lottery).

²⁵The nature of our experiment, which required handing out forms with varying treatment assignments in the classroom, precluded us from assigning treatment to each student based on a pure random draw. However, what is most important for our analysis is that the assignment procedure used should result in treatment groups that are similar in expectation, which we verify below. The fact that students may be sitting near friends (in classrooms where students are free to choose where to sit), or those with the same last name and thus potentially related or of a similar ethnicity (when seats are assigned alphabetically) should not in itself affect our test, since students filled out the forms without communicating with each other.

²⁶As originally distributed, the second form in the first school did not include a small number of questions that were added before visits to the second and third schools. The research team therefore revisited the first school again in February 2016 and collected answers to these additional questions. We were able to survey over 86% of the students from the original sample in that school. Treatments are still balanced for the sample that was surveyed during the second visit (see Appendix Table A.1).

These variations are critical for testing and differentiating *why* students change their educational choices when others observe those choices, rather than just *whether* they change their choices, as in the previous paper.

Table 1 presents tests of covariate balance. As expected, the four groups are very well balanced on the measured dimensions: sex, age, and ethnicity.

3.2 Linking the Experiment to the Theoretical Framework

The key model predictions that we can test with our experiment are:

- (i) Under both mechanisms, the signup rate with the public condition is lower than with the private condition;
- (ii) Under both mechanisms, p should not affect signup rates in the private condition.²⁷
- (iii) In a setting where effort is stigmatized, the signup rate in public with $p = 0.75$ is *higher* than with $p = 0.25$. The intuition is that conditional on publicly signing up (and thus paying the stigma cost), the marginal student would prefer to get the package.
- (iv) In a setting where ability is rewarded, the signup rate in public with $p = 0.75$ is *lower* than with $p = 0.25$. The intuition is that conditional on publicly signing up (and thus signaling that one is high ability), the marginal student would prefer *not* to get the package.

Thus, it is precisely the differential response to p in the public condition (along with, as we will show, a lack of any effect of p in the private condition) that allows us to isolate and test two very different underlying mechanisms with our single experiment.

As noted in the introduction, we consider it a strength of our design, and a potentially valuable methodological insight for other field experiments, that the same exact treatment can yield a test for both mechanisms. Other approaches, such as designing different experiments or treatments to test for the two mechanisms separately, raise the possibility that differences in outcomes are not just due to different mechanisms, but other differences between the two experiments. Further, this approach is more efficient and cost-effective, using all of the available information. In addition, using the same experiment in all settings enables a choice based revelation of which motive is dominant in a particular setting. And knowing which mechanism dominates in a particular setting is also likely to be important for policy design.²⁸

²⁷Outside of the behavior or motives that we are trying to model and test, one could construct theories for why even private signup rates could be affected by p . For example, students may dislike losing so much that they are less likely to sign up for a lottery when they have a small chance of winning, even when the cost of signing up is otherwise zero and the outcome is purely random. Finding no effect of p in the private treatment, as we do, rules out such possibilities (or indicates that different effects cancel each other out perfectly)

²⁸Note, we also chose not to implement an alternate form of the treatment making the signup decision public but

4 Results

4.1 Main Results

Figure 2 provides visual evidence of the main results on peer pressure. In both types of schools, making the signup decision public rather than private results in a striking decline in signup rates. Further, despite the large socioeconomic differences between the two types of schools, the results (both in baseline levels and treatment effects) are nearly identical, with private signup rates around 80 percent, and a decline to 53 percent when the decision is believed to be public. The results are large and statistically significant, and consistent with the results in Bursztyn and Jensen (2015).²⁹ However, as noted, despite their similarity, these effects could be driven by very different underlying mechanisms in the two types of schools.

Figure 3 focuses on the lower income school. In the panel on the left, signup rates are unaffected by the likelihood of winning the lottery when the signup decision is private. As noted, the model predicts that p will not affect signup when the decision is private. And although one might expect that students should be more likely to sign up when there is a greater chance of winning, since the costs of signing up are zero (just checking a box on the form), students who perceive any positive value to the prep package should sign up regardless of the likelihood of winning. When decisions are public, however, signup rates are dramatically lower when the likelihood of winning the lottery is 25% rather than 75%. The 18 percentage point difference is statistically significant at the 5 percent level. This result is consistent with a fear of revealing a low social type, or effort stigmatization.

Figure 4 examines the higher income schools. As before, there is no effect of p on signup rates when the signup decision is private. However, when the decision is public, the likelihood of winning

the diagnostic score private. In principle, holding p constant, this third treatment condition could have allowed for separate tests of effort stigmatization (by comparing the fully private condition to this mixed privacy condition) and the ability rewarding mechanism (by comparing the mixed privacy condition to where both are revealed). However, doing so would have forfeited some of the advantages of having a single test based on the sign of the parameter. For example, this would not have allowed us to test which mechanism dominates in any particular setting. We were also concerned that emphasizing differential privacy conditions in this way would have been awkward and potentially made the issue of privacy too salient. Further, testing based only on the differential response to varying p allows us to conduct a placebo test for any possible direct effects of p via the private condition. Finally, this alternative approach could have biased against one mechanism and in favor of the other. For example, suppose students are very concerned with privacy and when presented a form promising privacy for one outcome but not the other, they assume the worst, namely that neither are guaranteed to be private. Thus the test for effort stigmatization (signup public, test score private vs. both private) will be read by students like the fully public condition, meaning the observed difference will include both the effort stigma mechanism and the ability rewarding mechanism. By contrast, the test for the ability rewarding mechanism (the difference between signup public, test score private and both public) will be biased against finding any effect. The same would hold if students are inattentive, such as only reading the first half of the privacy guarantee in the mixed privacy treatment and assuming that because the signup decision is public, the diagnostic score will be as well.

²⁹The effects are somewhat larger than those found in Bursztyn and Jensen (2015), particularly in the lower income school, which is more comparable to the sample of schools examined in that paper. However, the effects we report here pool the impact of public signup for the two levels of p (0.75 and 0.25), whereas in Bursztyn and Jensen (2015) the effects are for $p = 1$. As we predict theoretically and find experimentally, a lower level of p increases the negative effect of public signup, so it is perhaps not surprising that we find larger effects in our current setting.

the lottery has a dramatic effect on signup rates. As predicted when fear of signaling social type is the operative (or dominant) motive, students are more likely to sign up when the chances of winning are 25% rather than 75%, again consistent with students attempting to pool with the high economic types when there is less of a risk that their own economic skill will be revealed. The 26 percentage point decline is very large, and statistically significant at the 1 percent level.

Together, Figures 2 through 4 paint a compelling picture. Based on Figure 2, we find that making decisions public lowers signup. However, the complete opposite effects of p in the public condition (right-hand panels) of Figures 3 and 4 show that the underlying mechanisms in the two types of schools are very different.

We can confirm this visual evidence in these figures with regressions. To replicate Figure 2, we begin by regressing an indicator for whether individual i in school s chose to sign up for the prep package (*Signup*) on an indicator for whether they were offered the public or private treatment (*Public*), separately for the lower and higher income schools:

$$Signup_{i,j} = \beta_0 + \beta_1 Public_{i,j} + \epsilon_{i,j}, j \in \{lower\ income, higher\ income\}, \quad (4)$$

where β_1 is the coefficient of interest, namely the estimated effect of making the signup decision public. In additional specifications, we add other covariates (age and dummies for sex and Hispanic) as well as surveyor and classroom fixed effects; the latter further isolate the within-classroom variation in the public vs. private condition across students. These results, shown in Table 2, capture the overall effects of making signup public rather than private in the two types of schools.

To replicate Figures 3 and 4, we add to the previous equation a dummy for whether the individual faced a 0.25 (i.e., low) probability of winning the lottery to get the SAT prep package (*Low probability*) and the interaction of the public treatment with the dummy on facing a low probability (*Public \times Low probability*), also separately for the two types of schools:

$$Signup_{i,j} = \beta_0 + \beta_1 Public_{i,j} + \beta_2 Low\ probability_{i,j} + \beta_3 Public \times Low\ probability_{i,j} + \epsilon_{i,j}, \\ j \in \{lower\ income, higher\ income\}, \quad (5)$$

where β_2 measures the effect of facing a low probability of winning the package in the private treatment and β_3 measures the differential effect of facing a low probability in the public condition. In additional specifications, we again add other covariates, as well as surveyor and classroom fixed effects. These results are presented in Table 3.

In addition to p -values from robust standard errors, in all tables we also present p -values from wild bootstrap clustered standard errors and from permutation tests.

The results of the regressions are very much consistent with what was revealed in the figures. Table 2 shows that making the decision public reduces signup in both types of schools, with point

estimates of about 0.25 – 0.27. All of the results are significant at the one percent level, and are robust to including individual covariates and classroom and surveyor fixed effects.³⁰ Table 3 shows that when the decision to sign up is public, the lottery with the lower likelihood of winning the SAT package decreases signup in the lower income school (first three columns), but increases it in the higher income schools (last three columns). And again, the results are all significant and robust to the inclusion of individual covariates or the classroom and surveyor fixed effects (though in a handful of cases, the p -values approach or reach 0.10.)

4.2 Further Evidence of Cool to be Smart Mechanism: Heterogeneity by Grades

If indeed students are trying to signal that they are high ability in the higher income schools, then a higher probability of revealing the diagnostic test score should be more likely to dissuade low-performing students from signing up for the package in comparison to high-performing students. The intuition is simple: if students know their own ability, those with lower grades will be more afraid of disclosing information about their ability, which will happen if they win the package and their diagnostic test score is revealed. This fear is less likely to affect students with higher grades.

We can directly test this prediction in the higher income schools. In the form following the signup decision, we collected self-reported information about students’ grades. Students were asked: “In general, how are your grades?” and were given five options to choose one from: “a) Mostly A’s; b) Mostly A’s and B’s; c) Mostly B’s and C’s; d) Mostly C’s and D’s; e) Mostly D’s and F’s.” In the higher income schools, 49% of students picked options a) or b). We therefore split the sample between those who picked one of these two options and those who picked one of the remaining three options, thus getting as close as possible to a median split.

In Figure 5, we restrict the sample to the public condition in the higher income schools (precisely where we expect to the “cool to be smart” mechanism to be important). The figure displays the effect of changing the probability of winning the lottery on the signup rates, splitting the sample between students below (left panel) and above (right panel) the median in terms of their grades. As expected by the theory, for students with grades below the median, there is a substantial drop in the signup rate when the probability of getting the package – and thus revealing the diagnostic test score – goes up. The signup rate under $p = 0.25$ is 67% and the signup rate under $p = 0.75$ is 22% (the p -value of the difference is 0.000). For students with grades above the median, we observe a considerably smaller decrease in signup rates when the probability is higher: from 66% to 51% ($p=0.243$). The drop in signup for students below the median is significantly larger than for those above the median ($p=0.074$). The difference in the responses of the two groups is large and striking, and consistent with our proposed mechanism.

Under the proposed mechanism, in private, p is not expected to have a differential effect on

³⁰The one exception is the coefficient for the lower income school when individual covariates are added and the Wild bootstrap clustered standard errors are used, where the p -value is 0.017.

the signup rate by the ability level of the student. Figure 6 confirms this prediction. It replicates Figure 5, but now restricting to the private condition in the higher income schools. We find no effect of p for either students above or below the median in terms of their grades: signup rates are all around 80%. Table 4 reproduces the results of Figures 5 and 6 in regression form and confirms the conclusions from these figures.

Since this mechanism is dominant only in the higher income schools, we should also not expect to see the patterns in Figure 5 in the lower income school. Appendix Figures A.1 and A.2 replicate Figures 5 and 6 for the lower income school and confirm this prediction.³¹ We do not observe a differential effect of p on the likelihood of lower vs higher ability students to sign up for the package in either the private or public conditions.

4.3 Additional Heterogeneity

Our motivating hypothesis is that students who care about what others think of them will behave in ways intended to signal either their economic or social skills. Implicit in this approach is that all students care about what others think of them. However, some may care more than others. Though we do not have a perfect measure of true underlying concern, in the survey we handed out after the signup forms had been returned, we asked students how important it was for them to be popular. They were given the choice of answering on a 1 to 5 scale (from “Not important” to “Very important”). Figures 7 and 8 split the sample as close to the median as possible, between those who most think it is important (responses 3 to 5) and those who think it is less important (responses 1 and 2). The figures show that as predicted, those who think it is more important to be popular reduce their signup rates dramatically (34 percentage points in the lower income school (left-hand panel of Figure 7) and 43 percentage points in the higher income schools (left-hand panel of Figure 8), both significant at the 1 percent level) when the decision is public compared to those who think it is less important (right-hand panels of both figures). The latter group still reduces signup when the decision is public, however the differences are much smaller (half or less the size of the effect for those who think it is important) and even for this group, some still rank the importance of being popular as a 2 out of 5, so they still care to some extent. Table 5 shows these results in regression form, and the conclusions are unchanged.

Though we chose one school where we expected social type to dominate student concerns and two where we expected economic type to dominate, there may be variation within schools as well. As noted above, our survey also asked students whether being considered smart is important for being popular in their school. Figures 9 and 10 therefore split students according to whether their classroom average response to whether being viewed as smart is important for being popular is above or below the median for the 17 classrooms pooled across the three schools (responses of 3, 4

³¹In the lower income school, it is more difficult to have a median split (we come closest by following the same criterion used in the higher income schools, with 28% of students reporting either mostly A’s or mostly A’s and B’s).

or 5 vs. 1 or 2). This allows us to both explore heterogeneity in the response as predicted by the model and helps validate whether the difference across the two different kinds of schools is likely driven by the different peer concerns rather than other differences across these schools. However, we should note that almost all of the classrooms above the median in their response to this question are from the two higher income schools and almost all those below are from the lower income school (in itself, this observations validates our choice of schools as reflecting the two different types of peer concerns, economic and social; it also suggests that when discussing different policy implications for the two types of schools, it may be easier to predict whether the students in any particular school are likely to be driven more by concern about revealing or signaling economic or social skills).

Using this approach to split our sample into those who care about revealing economic type vs. not, both Figures 9 and 10 and the regression results in Table 6 confirm the main results above. Students in classrooms with a greater concern about economic type are less likely to sign up in the public treatment when the likelihood of winning the SAT package is high and the reverse for students in classrooms with less concern for economic type.

4.4 Additional Survey Evidence of Mechanisms

Smart to be Cool. As described in the theoretical framework, and following the model in Austen-Smith and Fryer (2005), we hypothesize that the social cost associated with displaying effort, such as studying, may be driven in part by the fact that this display reveals that the student has a low opportunity cost of studying, which in turn signals a low social type. Exerting effort might also indicate that the student intends to go to college and perhaps eventually leave the community, which may make them less valuable to the majority of peers who are likely to remain. Though we cannot directly measure which particular underlying factor drives the stigma associated with effort, we collected additional evidence during a follow-up visit to all three schools between May and June 2016.³² As displayed in the follow-up survey form in the Supplemental Appendix, we asked the following question: “Suppose a classmate becomes less popular because he/she is studying too hard. Why do you think this would happen?” Students were asked to pick one option among the following: “a) Because other students don’t like hard workers; b) Because other students now think he/she is not a fun person to spend time with; c) Because other students now think he/she is less likely to be around in the future; d) Other reason (open ended); e) Don’t know.” In the lower income school, 37% of students picked option b). Option a) was picked by 7% of students, and option c) was only mentioned by 2% of students. Though only suggestive, these results suggest that there is indeed an update in peers’ perception of a student’s social type stemming from a decision to study harder. The low number of students choosing option a) also suggests that there is no direct stigma coming from effort *per se*. It is worth noting that the most common reasons given under “Other reason” in the lower income school were related to the student now being too

³²We were able to survey 77% of students from the original sample.

busy to spend time with their friends (9% of students). In the higher income schools, where our evidence indicates that effort stigma is not the main driver of negative peer pressure, the evidence from the follow-up survey suggests that students seem to understand the mechanisms that would underlay that type of channel if it were present in their school: the numbers are very similar to those from the lower income school (8% picking option a), 36% choosing b), and 4% mentioning c)).

Cool to be Smart. As an additional approach to provide suggestive evidence of the proposed mechanism, in the follow up survey we asked the following question: “Now suppose a classmate becomes more popular because he/she is studying too hard. Why do you think this would happen?” Students were asked to pick one option from among the following: “a) Because other students admire hard workers; b) Because other students now think he/she is a smart person and they admire smart people; c) Because other students now think they can get help in their studying from him/her; d) Other reason: (open ended); e) Don’t know.” In the higher income schools, 58% of students picked either options a) or b) (29% for each option), and 21% picked option c). In the lower income school, 17% picked option a), 20% chose b), and 30% chose option c). These numbers are again merely suggestive, but they are consistent with the hypothesis that in the higher income school, there seems to be a culture that supports hard work and being smart.

4.5 Further Evaluating the Stakes: Impact on the Likelihood of Taking the SAT

The main objective of our paper is to test for mechanisms underlying negative peer pressure. For this purpose, the signup decision is the appropriate outcome to examine. However, as an additional way to evaluate the stakes of that decision, we revisited the three schools between late May and early June 2016, right before the end of the academic year. Students were asked to report whether they had already taken the SAT (or the ACT, though the vast majority choose the SAT), their score (if they already had one), whether they were planning to take one of the exams, and if so, when. Our goal is to assess whether the SAT prep package we offered had an impact on actual or anticipated college entrance exam taking. It is important to note however that in analyzing these outcomes, the effective assignment to different treatments is likely to be weakened due to contamination of the treatment groups, since students in the different treatments are likely to have discussed the offer with each other after our team left the classroom.³³ Additionally, once students can communicate, other types of peer effects could be triggered, such as social learning.

In Appendix Table A.2, we present the effects on longer-term outcomes. In panel A, we restrict our sample to students in the private condition, across all schools. As discussed earlier, we observe similar signup rates in the private condition across the two levels of p . In fact, we also observe a similar selection of students that sign up in the private condition across the two levels of p .

³³This contamination would bias estimates towards zero, suggesting if anything that our results are an underestimate of the true effect.

Individual characteristics are balanced for students who sign up in the private condition for $p = 0.75$ and $p = 0.25$ (results available upon request). We can therefore examine the reduced-form impact of p (the probability of winning the SAT package) in the private condition on longer-term outcomes. In the first three columns of Panel A, we analyze the effect of a higher p on the probability that a student reported to have already taken the SAT (or ACT) by the time of our follow-up visit. We find evidence of a marginally significant, positive effect of over 10 percentage points. This amounts to a 40–50% increase in the probability of signup in the low probability group. A sizable share of students take the SAT on the first June test date, which was a few days after our visit. We therefore create another dummy variable for whether the student has already taken the SAT or plans to take it on that date, which is the last SAT exam date during the academic year. Here we also find significant increases in that likelihood for students assigned to the higher probability of getting the prep package.³⁴

In Panel B, we examine the same outcomes, but focus instead of the effect of the private condition compared to the public: by how much are these outcomes changed when the effects of peer pressure are turned off during the signup stage? This comparison would be relevant for evaluating the reduced-form effects of a policy that made signup private. For the outcomes in columns 1–3, we observe an increase of about 8 percentage points (or a 30% increase) in the probability of reporting to have already taken a college admissions test by the time of the visit. For the second outcome (columns 4–6), we also observe a large and significant increase.

Finally, in Panel C, we restrict our sample to those students who signed up for the lottery in the private condition, and compare the SAT-taking behavior of lottery winners and losers. Here again we find very large and statistically significant effects. Lottery winners are 15 to 17 percentage points more likely to have taken the SAT by the time of our return visit, a gain of 60–70% relative to lottery losers. The point estimates are slightly smaller, though still fairly large (13 percentage points) when we also include students who report planning to take the SAT instead of just those who report having already taken it (the percent gains are also now smaller relative to the (increased) mean for lottery losers, though they are still over 30%).

These results suggest that our intervention may have had longer-term effects, and again, that peer pressure may have significant impacts on important investment behaviors or outcomes. However, in addition to the caveats mentioned above regarding loss of experimental control, we interpret our findings with extra caution. Students can still take the SAT at a later date, so our measured effect might just have been an increased likelihood of taking the test earlier (or, perhaps an indicator of taking it more times rather than ever taking it). Further, the outcome is self-reported and

³⁴Unfortunately, we are unable to use test scores as an outcome. First, several students who had already taken a college admissions test did not report their scores, either because they had not received them yet or because they chose not to report them. As a result, we end up with too few observations. Moreover, regressions using test scores would either be conditional on the student having already taken the test (thus implying differential selection across treatments) or would bundle the intensive and extensive margins, making it difficult to isolate the intensive margin effect.

there may be a greater social-desirability bias in reporting for students who chose to take the prep package or for those who won the lottery and gained access to it.

4.6 Empirical Challenges and Alternative Explanations

The evidence presented above suggests that in all three schools, social image concerns discourage students from engaging in educational effort, at least in the form of preparing for the SAT (and, *possibly*, taking it). Further, we argue that the differential effects of p in the lower income and higher income schools allows us to identify the effort stigmatization mechanism in the former, and the ability rewarding mechanism in the latter. We also show that other results support the conclusion of our two mechanisms. In this section, we consider several empirical challenges and alternative explanations for our results.

A. Don't 11th grade students already know each other's ability and social type? Our tests of these two mechanisms is predicated on the assumption that students continue to take actions, even into the 11th grade, that attempt to hide or signal something about their ability or social type. While one might argue that if that were not the case, we should not expect the results we observe, an alternative interpretation is that some other factor may be responsible for our results.

However, we find it quite reasonable that students still have only a very noisy signal of each other's abilities or social types. First, there is considerable student turnover in schools.³⁵ Thus, many students regularly start over with a blank slate and must newly establish their social and economic type to their new peers. Even those students who do not move may face a considerable influx of new classroom peers every year, for whom they have to newly establish their reputation. And beyond mobility across schools, there may be turnover in classmates within the school. In many high schools, students take different classes with different groups of students (for example, because the same course may be offered during different periods of the day, plus students have some choice of what courses to take, and because from year-to-year and sometimes even within years, students move back and forth between remedial, regular and honors sections for different subjects). Thus, students may regularly find themselves in a classroom with students they have not been with before and therefore feel a need to regularly re-establish their reputation.

Second, even with a fixed set of peers, there may be secular, group-level changes that necessitate renewed or ongoing signaling. For example, as students get older, the range and scale of social opportunities generally increases. Accordingly, norms about social type may change or become

³⁵Most states do not track turnover, but the available evidence suggests that the rates are high. A GAO report found that over 90% of students switched schools (for reasons other than grade promotion) at least once between kindergarten and 8th grade, with nearly 2/3 having switched two or more times (GAO 2010). For Rhode Island, which does collect data on turnover, in several school districts (including Providence, the largest), over 25% of high school students changed schools during the 2014-15 academic year alone (Providence Journal 2016). Annual turnover rates like these repeated over many years could lead to considerable changes in one's classmates. For example, a report for Washington D.C. finds that of 123 students graduating from one high school, only 27 (22%) were in that school at any point during their freshman year (Washington Post 2015).

more salient, as may the average level of student concern about social type. Alternatively, as students get closer to graduation and/or college, norms regarding economic type may change or at least become more salient.

Beyond that, individual students may change over time. Student performance, used by peers to infer ability, may fluctuate over time for reasons such as material becoming more difficult with school progression (e.g. algebra in 9th grade vs. calculus in 11th), mean reversion, or difficulties in a student's home or personal life.³⁶ Similarly, adolescence is a period in which personality, priorities, interests and behavior can change quite dramatically. A student's true social type, or the social type they want to be perceived as, may vary over time, requiring renewed signaling.

Finally, regarding ability specifically, the grouping of students into remedial, regular and honors classes provides some rough information on ability, but more fine grained detail may not be known within these classes (and it may be relative ability within a class type that is rewarded). For example, a student in a regular class could possibly be a borderline remedial student or a borderline honors student. Plus, when grades are kept private, as they are in U.S. high schools, and where students are able to avoid situations in which ability may be revealed and can in fact potentially deceive others (e.g., lying about their grades or saying that they found a difficult exam to be easy), students may only have a noisy signal of each other's ability.

Thus overall, between changes in peer group composition, group level changes, changes in individual students, and the possibility that people forget over time, there may always be a need for constant signaling to reinforce or re-establish one's image or reputation. In fact, we believe that the very importance and broader relevance of the mechanisms we consider is precisely the possibility that, given how many behaviors may reveal ability or social type, students may regularly alter their behavior with respect to important decisions that may influence learning or educational outcomes.

B. Signing up signals low income. An alternative explanation for the finding that signup is lower when the decision is public is that signup may signal coming from a poor household, which may itself be stigmatized. For example, if many students have private tutors or take other, more expensive, prep courses, they might infer that anyone who needs to sign up for the free course we offered must be too poor to afford these other resources.

However, for the lower income school, the median annual income is only \$44,000, which is quite low. Further, nearly three-quarters of students are eligible for free or reduced-price meals. This means that students already likely know who is poor, since receiving this benefit is highly visible to others when you get your lunch in the lunchroom. And in a setting where the vast majority of students are low income, it seems unlikely that a norm of stigmatizing others who are low income would take hold.

Even in the higher income schools, the median income is only about \$66,000, which is still not

³⁶Related, people may just forget over time; a signal of high ability revealed in 9th grade may not be sufficient to sustain a reputation of high ability without additional reinforcement.

very high. But more importantly, if this alternative motive held in the higher income schools, we would expect that in the public condition, where signup is always revealed, the likelihood of signup should be greater when the probability of winning the lottery is higher (students would be labeled as poor, and thus incur the stigma cost, just for signing up; they should be more willing to incur this cost when the expected benefit is greater). However, this is the opposite of what we observe in higher income schools.

C. Preference for privacy. A general preference for privacy could also generate the result that students would be less likely to sign up when the decision to do so is public. However, our test is driven by the response of signup to varying the likelihood of winning the lottery (where signup itself is revealed in the public treatment regardless of whether the student wins), which would be harder for a general preference for privacy to explain.³⁷ Further, using a similar experiment, Bursztyn and Jensen (2015) find that making signup public can increase or decrease signup, depending on which peers a student is with at the time of signup and thus to whom their decision will be revealed; this suggests less of a general concern over privacy and more a concern over differing directions of social pressures created by different peer groups. Finally, to explain our results, the concern over privacy would also have to vary with the forms of heterogeneity explored above, such as the importance of being popular.

D. Signup itself signals something about ability. An alternative to consider is whether the act of signing up for the SAT prep course is in itself a signal of ability (high or low). For example, the pattern of lower signup under the public condition relative to the private condition could arise if wanting the SAT prep package is seen as a sign of low ability (higher ability students don't need it in order to do well on the SAT), and low ability is stigmatized. However, we believe this is unlikely to explain our key results. Unlike seeking extra help or requiring a tutor for regular school work, using resources to prepare for the SAT is not typically taken as a signal of low ability. In general, among students planning to take the SAT, it is extremely common, if not nearly universal, to use some preparatory resource (e.g., book, software, app, tutor, course). It therefore seems unlikely that doing so would be a sign of low ability. Further, in previous work, Bursztyn and Jensen (2015) find that signup for an SAT prep course is over 90 percent among students in honors classes, and, further, does not vary with whether the decision is public or private; the fact that so many high ability students sign up for a course like this, and are just as willing to do so if their classmates will know, suggests that it is unlikely that doing so would be interpreted as a sign of low ability.

The possibility that signup is instead a signal of high ability (only smart students would take the SAT because they are the only ones who can get into college), and high ability is rewarded is of course our proposed ability-rewarding mechanism. What remains is the possibility that signup is a signal of high ability and high ability itself is stigmatized. While this could of course not explain

³⁷Concern for privacy could be consistent with the results in the low income schools (students are more willing to incur the loss of privacy when the chance of winning, and thus expected benefit, is greater), but not the higher income schools.

our results for the higher income school, it could help account for the results in the lower income school, where students are more willing to incur the stigma costs if the likelihood of winning the course is high. In our data, there is no difference in the distribution of grades in the lower-income school between those who sign up and those who don't in the the public setting (in either the 25% or 75% lottery cases), which suggests that just signing up, without additional information, may not actually be taken as a signal of high ability.³⁸ However, we cannot rule out this possibility. Empirically, this hypothesis would be very similar to the “Acting White” hypothesis. With our setup, we cannot distinguish whether SAT signup in low income schools is lower when it is public, and increases with a greater chance of winning the lottery, because peers punish effort (trying to get ahead or do well in school), performance (actually doing well in school) or ability (just being smart), since all three could be signaled by SAT taking. In a sense, however, there is perhaps a unifying interpretation among the three, which is that a factor that signals being a low social type or a high likelihood of leaving the community is stigmatized by peers.

E. Privacy with respect to parents, teachers or others. We interpret our results as indicating that students' signup decisions are responding to potential social costs from peers, such as effort or low ability being stigmatized. However, one might wonder whether students thought that their decisions would also be made known to (or kept private from) parents, teachers, guidance counselors or others in the school. We note that the signup form specifically referenced privacy with respect to classmates, and did not mention any of these other individuals. However, it is possible that students misinterpreted the form and believed that the same privacy regime stated on the form for classmates would also apply to these other individuals as well.³⁹ We believe that this is unlikely as a general phenomenon, since in both types of schools, signup was lower when the decision was public, and it seems unlikely that parents, teachers or other school officials would stigmatize or punish students for signing up for a free SAT prep package; if anything, they would likely be disappointed if they learned that students did not sign up. Thus, the lower signup rates in the public condition suggest peer social pressure on its own may have an even greater effect than we observe, since students overcome the possible costs they face from disappointing a parent or teacher and still choose not to sign up because of the costs they will face from their classmates. However, it is possible that the belief that decisions might also be revealed to parents, teachers or guidance counselors could have a negative influence on signup. For example, students with poor grades may worry that teachers or parents will ridicule them for even considering that they might be able to get into college. Or there may be cases where parents don't want their child to attend college (perhaps hoping instead they will join the family business, the military, religious clergy or other

³⁸Further, in principle a student could also sign up for the SAT prep course and deliberately do poorly on the diagnostic exam as a way to counter-signal against being high ability. However, this would perhaps require a lot of forethought by students at the moment of signup.

³⁹If students believe that parents or teachers would be informed no matter what would be revealed to classmates, or not informed no matter what, these effects would be differenced out when comparing the public vs. private regimes.

career that does not require college) or don't want their children to get their hopes up because they will not be able to afford college. We have no data on such cases, but believe they are not likely to be very widespread. Further, Bursztyn and Jensen (2015) use a similar SAT prep offer and for example find that students taking both honors and non-honors classes respond very differently to the decision being public when they are with their honors peers compared to when they are with their non-honors peers. It is unlikely that they would make different inferences about whether their parents, teachers or others would know about their signup just based on the peers they were sitting with at the time they were asked (whereas the form did specifically mention that the decision would be shared (or not) with those in their classroom, which would therefore vary which peers the information was to be revealed to). In addition, it is also less clear that any perceived pressure from parents or teachers would vary with the likelihood of winning the lottery, since they might hope that the student would sign up not matter what.⁴⁰ Finally, it is unclear why the effects of parents or teachers would vary with the reported importance of being popular.⁴¹

5 Policy Implications and Conclusion

In this paper, we find strong evidence consistent with peer pressure. High school students are willing to forgo educational investment opportunities due to concerns about how they will be perceived by their classmates. We also show that such behavior can arise from two very different motives, including a new motive, ability rewarding, that has previously been unexplored in the education literature. Further, which particular motive is behind peer concerns is predictable, and simple questions can help reveal it.

Although both mechanisms lead to underinvestment or lower effort, it is worth discussing how understanding which motive is operative can have implications for policy.

First, understanding which peer concern prevails in a particular school can help in the design of information or marketing campaigns intended to improve school performance, by tailoring the campaign to the specific peer concern that may be holding students back. This is particularly important because targeting the wrong message could actually be counterproductive. For example, trying to change attitudes so that doing well in school is rewarded rather than stigmatized (to counter the "smart to be cool" norm) by emphasizing all of the positive things associated with doing well, may actually increase the stigma associated with not doing well (creating or worsening the "cool to be smart" norm). In fact, this presents a sobering possibility; attempts to counter one form of negative peer social pressure may just lead to another form, without improving outcomes.

Further, some programs may be labeled or marketed differently in the presence of the two peer cultures. For example, teachers often make themselves available after classes for additional interac-

⁴⁰Though students in low income schools may feel that teachers or parents will be more disappointed in them for not signing up for something they had a strong likelihood of winning, compared to when the likelihood is low.

⁴¹Though students who care more about being pleasing friends may also care more about pleasing others.

tion with students. When such programs are labeled as extra help, attending will be perceived as a sign of low ability. Calling such programs advanced material or enrichment might reverse some of that stigma. But in schools where effort is stigmatized, the exact opposite may hold. Calling them advanced might make them more stigmatized (there may be less stigma associated with efforts to make sure a student isn't failing vs. optional efforts to go above and beyond what is required for class).

In addition, in schools where the biggest concern is about revealing a low economic type, privacy of grades is likely to be important. Otherwise, low ability students may reduce effort in order to signal that they are cool. However, in schools where the main worry is to signal a high social type, keeping grades private could in fact be detrimental to performance. In general, not all educational effort or investments students can make can be kept private. Students must raise their hand in class to ask questions if they want to understand material better, and participating in academic clubs will also be public. In these cases, if students are going to face stigma costs for engaging in effort or investments, it would in fact be preferable for these students to have their grades revealed, so they can at least get the benefit of revealing a higher economic type. This also suggests that the increased emphasis on the privacy of grades, common in the U.S. but less common elsewhere, which may have been a policy designed to enhance performance at good schools, may in fact have a detrimental effect on performance in worse schools.

Though when thinking about what is kept private for students, we may in fact arrive at the opposite conclusion when considering what is revealed about inputs rather than outcomes. For example, although we may want to keep grades private in schools where students care about signaling high ability (so low ability students do not cut back on effort and attempt to signal high social skills), by contrast we might want to make inputs (effort or investments) as visible as possible. Doing so would give low ability students more opportunities to pool with the high ability students, rather than deciding just to portray a high social type. And in schools where effort is stigmatized, though we may want to make grades more visible so that students who try hard at least get the benefits of revealing a high economic type, we may want to make effort or investments as private as possible, so students can try hard without facing social stigma.

The same would hold for other honors programs or resources. Making participation public would lead to more stigma in effort stigmatizing schools, but might encourage participation in ability rewarding schools, since low ability students will want to pool with the high ability types.

A number of other policy implications follow as well. For example, where effort is stigmatized, some participation mandates may be effective. Students will not be singled out for stigma if they raise their hand in class, attend a review session or take an SAT prep course if all students are required to do so. On the other hand, where ability is stigmatized, mandatory participation in some activities may have adverse effects for low ability students. Policies such as cold calling, group work or class presentations may lead to worse outcomes for low ability students, who may

be stigmatized, engage in behaviors to avoid revealing low ability, or otherwise go out of their way to signal a high social type.

Related to this previous point, the finding that students avoid potentially valuable educational investments in order to avoid revealing low ability merits further exploration for possible links to a wide range of other behaviors. For example, taken to an extreme, one might imagine that students could act out, engage in self-handicapping behavior (for example, visibly undertaking social activities in order to have an excuse for not doing well), skip classes (to avoid being called on, or when one has to make a presentation in front of class) or even potentially drop out, due to such motives. While this is not to suggest that all of these adverse behaviors are driven by low ability students, nor that this motive can explain all such behavior even among low ability students, the role of such effects documented here suggests that additional study of these other behaviors is warranted.

Finally, the finding that low ability students seek to avoid behaviors that may signal their ability is relevant to the the debate on tracking in schools, potentially providing one argument in favor of increased sorting. Though it is thought that one negative aspect of sorting for low ability students is that they lose out on the positive effects of having high ability peers, our results suggest that high ability peers also have a negative effect on low ability students because the latter will want to avoid revealing their low ability. Greater sorting by ability may reduce the stigma of being the lowest ability person within a class; the more homogeneous the ability and achievement levels are for students within a class, presumably the less stigma associated with poor performance there will be.

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Figures and Tables

Figure 1: Comparative Statics of the Model

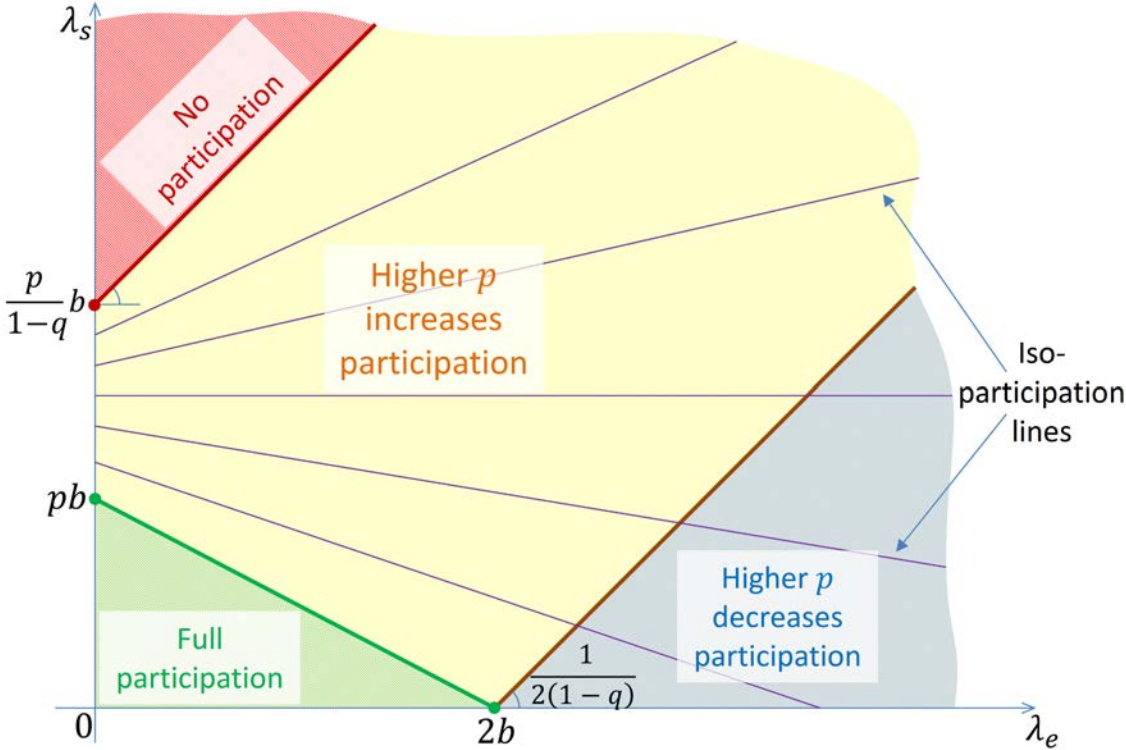
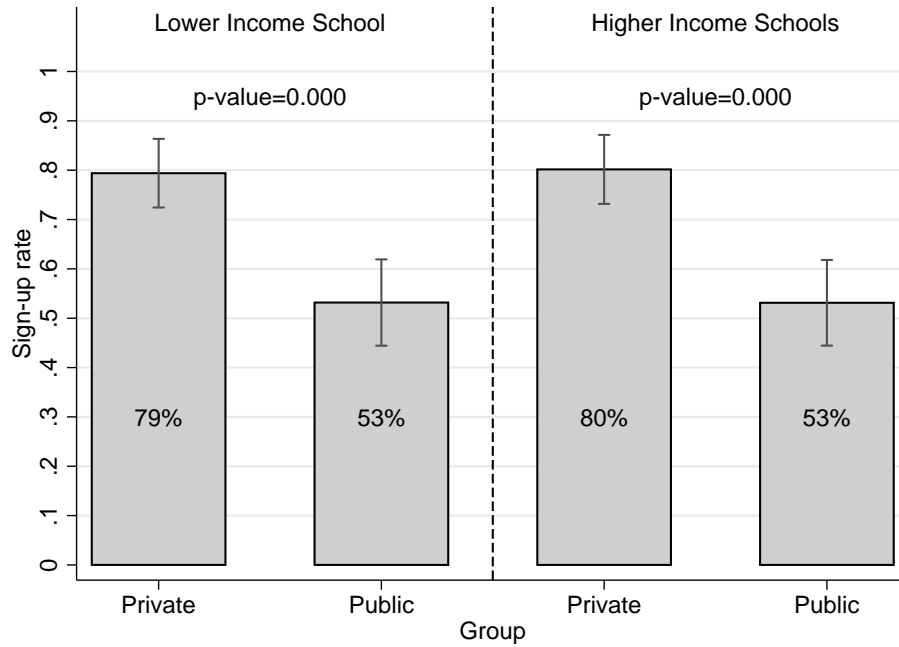
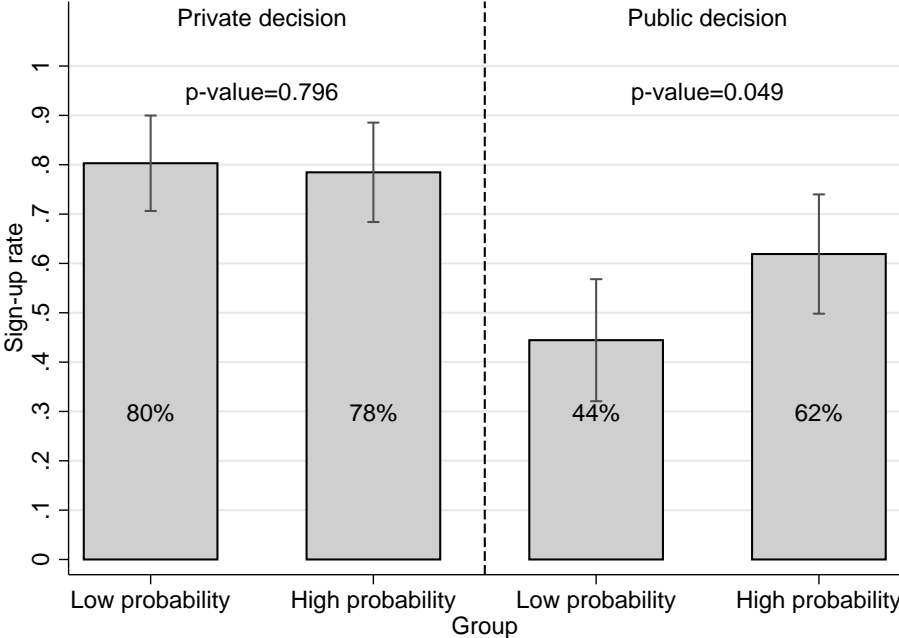


Figure 2: Effect of Public Treatment on Signup Decision



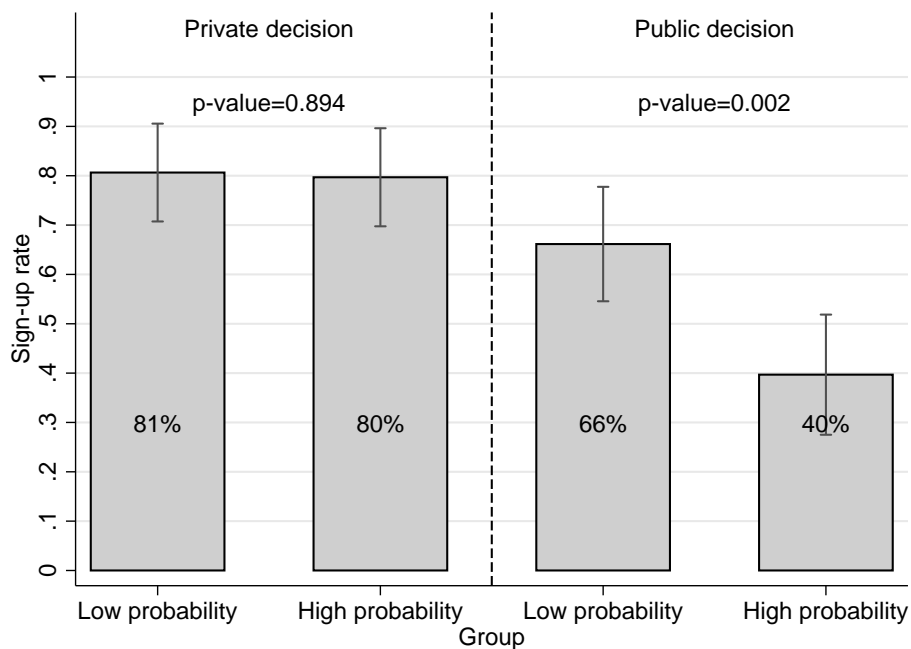
Notes: This figure presents the means and 95% confidence intervals of the signup rates for students in the private and public conditions, across all schools. There are 511 observations in total, 257 in the lower income school and 254 in the higher income schools.

Figure 3: Effect of Public Treatment and Probability of Winning the SAT Prep Package on Signup Decision – Lower Income School



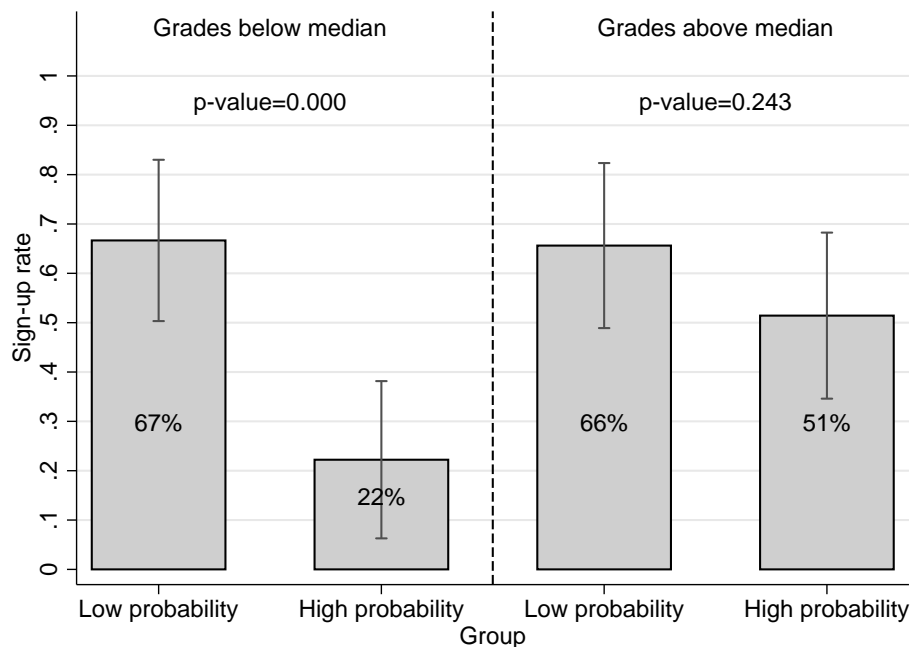
Notes: This figure presents the means and 95% confidence intervals of the signup rates for students across four conditions: private/low probability (N=66), private/high probability (N=65), public/low probability (N=63), and public/high probability (N=63), for the lower income school. There are 257 observations in total.

Figure 4: Effect of Public Treatment and Probability of Winning the SAT Prep Package on Signup Decision – Higher Income Schools



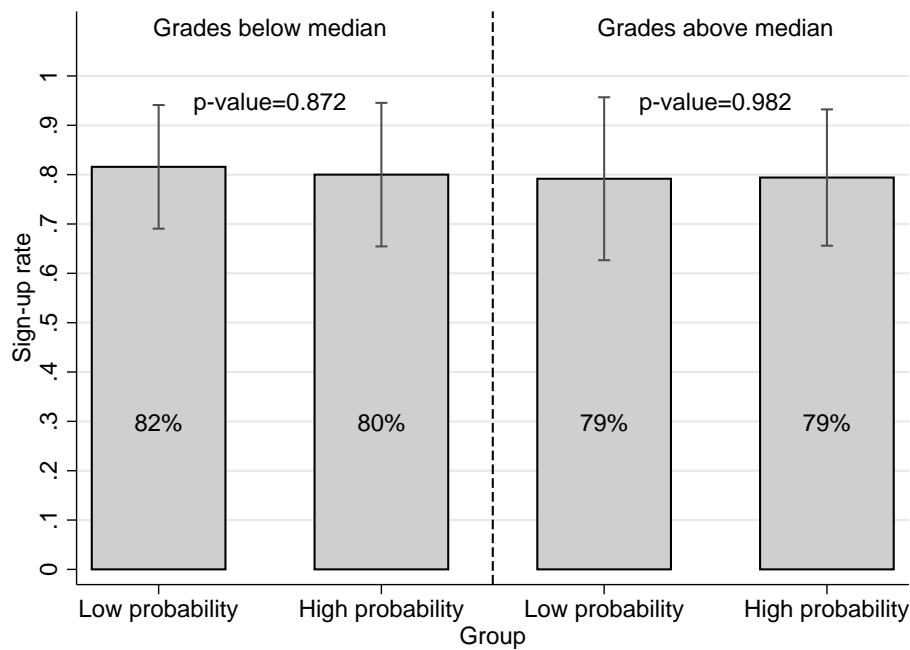
Notes: This figure presents the means and 95% confidence intervals of the signup rates for students across four conditions: private/low probability (N=62), private/high probability (N=64), public/low probability (N=65), and public/high probability (N=63), for the higher income schools. There are 254 observations in total.

Figure 5: Signup Rates for Public Decisions: Split by Grades – Higher Income Schools



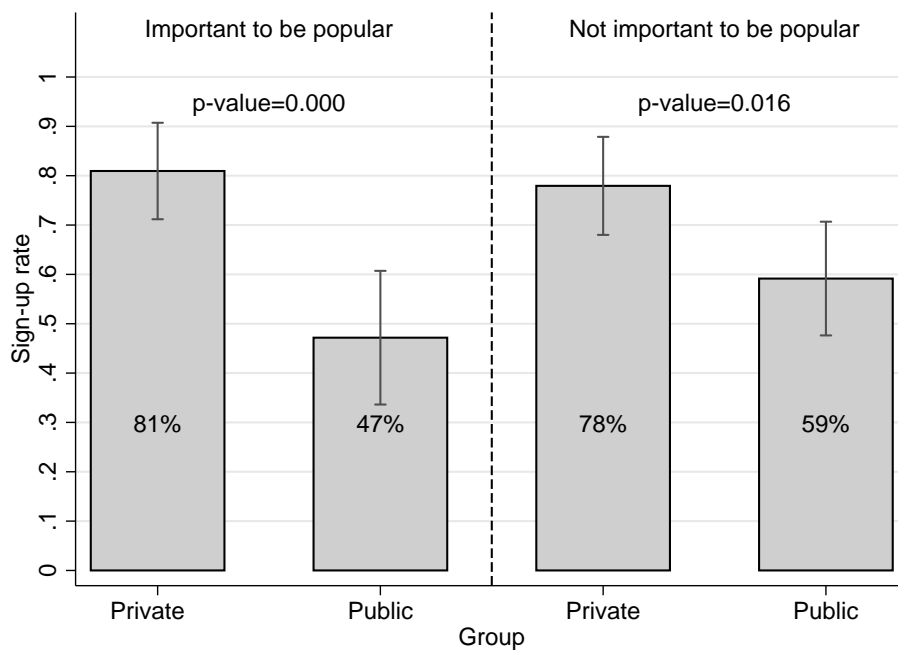
Notes: This figure presents the means and 95% confidence intervals of the signup rates for students in the public condition in the higher income schools, separately for students with typical grades below or above the median. The dummy on whether grades are below the median is constructed by collapsing the answers to the question, “In general, how are your grades?” to two categories. Answers “Mostly A’s” and “Mostly A’s and B’s” were coded as grades above the median. Answers “Mostly B’s and C’s”, “Mostly C’s and D’s” and “Mostly D’s and F’s” were coded as grades below the median. There are 60 observations in the left panel and 67 in the right panel.

Figure 6: Signup Rates for Private Decisions: Split by Grades – Higher Income Schools



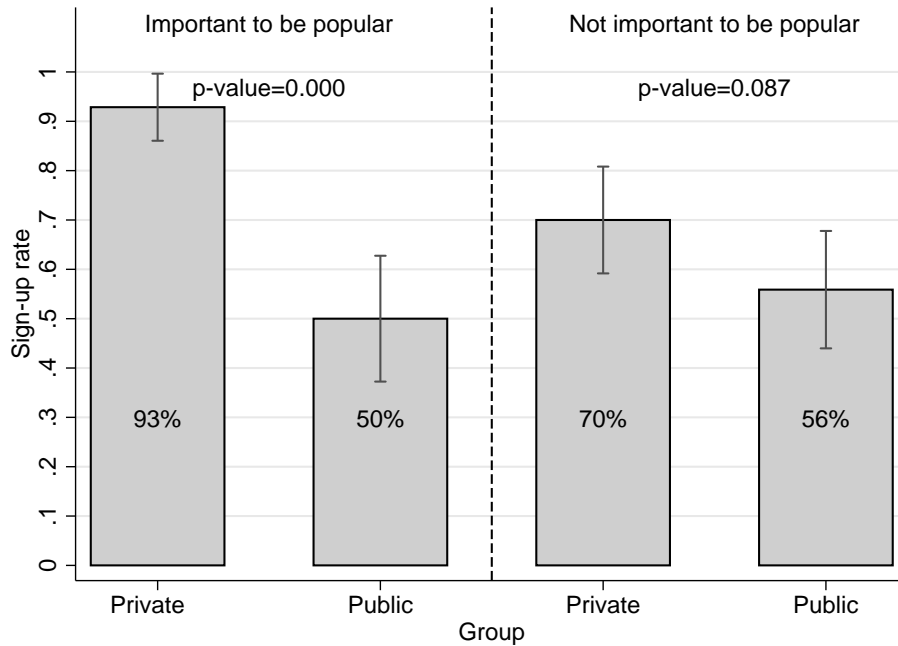
Notes: This figure presents the means and 95% confidence intervals of the signup rates for students in the public condition in the higher income schools, separately for students with typical grades below or above the median. The dummy on whether grades are below the median is constructed by collapsing the answers to the question, “In general, how are your grades?” to two categories. Answers “Mostly A’s” and “Mostly A’s and B’s” were coded as grades above the median. Answers “Mostly B’s and C’s”, “Mostly C’s and D’s” and “Mostly D’s and F’s” were coded as grades below the median. There are 68 observations in the left panel and 58 in the right panel.

Figure 7: **Signup Rates for Private vs. Public Decisions: Importance of Being Popular – Lower Income School**



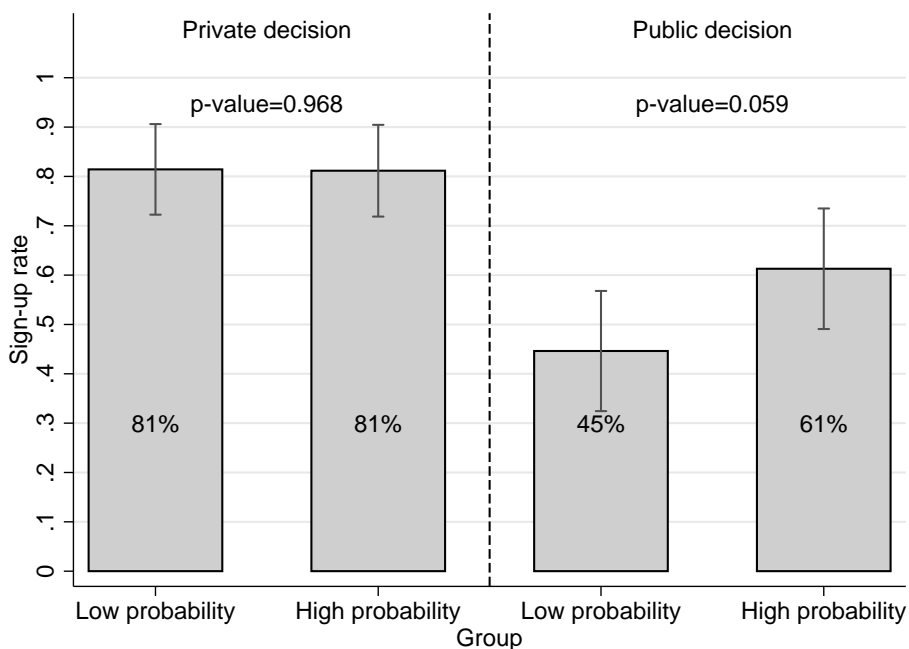
Notes: This figure presents the means and 95% confidence intervals of the signup rates for students in the private and public conditions in the lower income school, separately for students who consider important to be popular in their school and those who do not. The dummy for whether the student considers it important to be popular is constructed by collapsing the answers to the question, “How important is it to be popular in your school?” from a 1-5 scale to a dummy variable (answers 3-5 were coded as considering it important, 1-2 as not important). There are 116 observations in the “important to be popular” panel and classes and 139 in the “not important” panel.

Figure 8: **Signup Rates for Private vs. Public Decisions: Importance of Being Popular – Higher Income Schools**



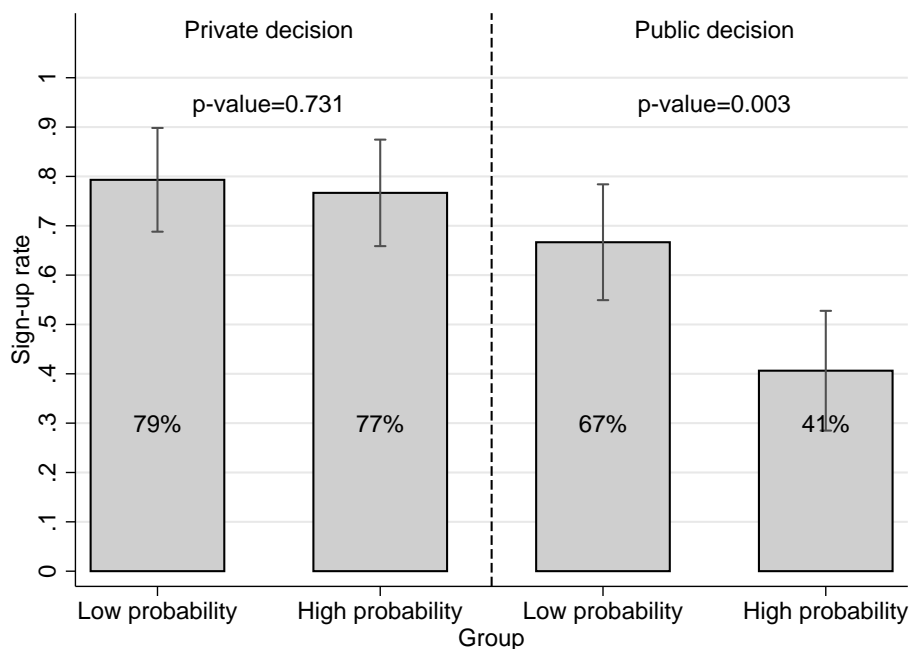
Notes: This figure presents the means and 95% confidence intervals of the signup rates for students in the private and public conditions in the higher income schools, separately for students who consider important to be popular in their school and those who do not. The dummy for whether the student considers it important to be popular is constructed by collapsing the answers to the question, “How important is it to be popular in your school?” from a 1-5 scale to a dummy variable (answers 3-5 were coded as considering it important, 1-2 as not important). There are 116 observations in the “important to be popular” panel and classes and 138 in the “not important” panel.

Figure 9: **Effect of Public Treatment and Probability of Winning the SAT Prep Package on Signup Decision – Classrooms Below Median in Opinion on Importance of Being Considered Smart to be Popular**



Notes: We split classrooms across all schools by their average 1-5 answer to the statement “To be popular in my school it is important that people think I am smart.” This figure restricts the sample to classrooms below the median, and presents the means and 95% confidence intervals of the signup rates for students across four conditions: private/low probability (N=70), private/high probability (N=69), public/low probability (N=65), and public/high probability (N=62). There are 266 observations in total.

Figure 10: **Effect of Public Treatment and Probability of Winning the SAT Prep Package on Signup Decision – Classrooms Above Median in Opinion on Importance of Being Considered Smart to be Popular**



Notes: We split classrooms across all schools by their average 1-5 answer to the statement “To be popular in my school it is important that people think I am smart.” This figure restricts the sample to classrooms above the median, and presents the means and 95% confidence intervals of the signup rates for students across four conditions: private/low probability (N=58), private/high probability (N=60), public/low probability (N=63), and public/high probability (N=64). There are 245 observations in total.

TABLE 1: BALANCE OF COVARIATES

	Private High probability [1]	Private Low probability [2]	Public High probability [3]	Public Low probability [4]	p-value [1]=[2]=[3]=[4]
Male dummy	0.543 [0.5]	0.531 [0.501]	0.516 [0.502]	0.5 [0.502]	0.913
Age	16.310 [0.464]	16.226 [0.461]	16.31 [0.464]	16.266 [0.568]	0.788
Hispanic dummy	0.713 [0.454]	0.75 [0.435]	0.683 [0.467]	0.695 [0.462]	0.645
Number of observations	129	128	126	128	

Notes: Columns 1-4 report the mean level of each variable, with standard deviations in brackets, for the four different experimental conditions. Column 5 reports the p -value for the test that the means are equal in the four conditions.

TABLE 2: EFFECT OF PUBLIC TREATMENT ON SIGNUP DECISION

Dependent variable:	Dummy: The student signed up for the SAT prep package					
	(1)	(2)	(3)	(4)	(5)	(6)
Public treatment	-0.2621*** [0.057]	-0.2595*** [0.057]	-0.2561*** [0.057]	-0.2703*** [0.057]	-0.2517*** [0.056]	-0.2484*** [0.057]
Inference Robustness						
<i>p-value Robust S.E.</i>	0.000	0.000	0.000	0.000	0.000	0.000
<i>p-value Wild Bootstrap</i>	0.005	0.017	0.005	0.005	0.005	0.005
<i>p-value Permutation test</i>	0.000	0.000	0.000	0.000	0.000	0.000
Mean of private take-up		0.794			0.802	
Includes individual covariates	No	Yes	Yes	No	Yes	Yes
Includes classroom and surveyor FE	No	No	Yes	No	No	Yes
Observations	257	257	257	254	254	254
R-squared	0.077	0.078	0.116	0.082	0.135	0.153
Sample:	Lower income school			Higher income schools		

Notes: Columns 1 to 3 restrict the sample to the lower income school, and columns 4 to 6 restrict to the higher income schools. Columns 1 and 4 present OLS regressions of a dummy variable for whether the student signed up for the SAT prep course on a public sign up dummy. Columns 2 and 5 replicate add individual covariates (age and dummies for male and Hispanic). Columns 3 and 6 further add surveyor and classroom fixed effects. Robust standard errors in brackets. *** p<0.01, ** p<0.05, * p<0.1.

TABLE 3: EFFECT OF PUBLIC TREATMENT AND LOW PROBABILITY ON SIGNUP DECISION

Dependent variable:	Dummy: The student signed up for the SAT prep package					
	(1)	(2)	(3)	(4)	(5)	(6)
Low probability dummy	0.0184 [0.071]	0.0199 [0.072]	0.0101 [0.074]	0.0096 [0.072]	0.0076 [0.070]	0.0077 [0.070]
Public sign-up dummy (A)	-0.1656** [0.080]	-0.1633** [0.081]	-0.1645** [0.081]	-0.4000*** [0.080]	-0.3752*** [0.081]	-0.3794*** [0.082]
Low probability*Public (B)	-0.1930* [0.113]	-0.1938* [0.114]	-0.1839 [0.114]	0.2551** [0.112]	0.2414** [0.109]	0.2571** [0.110]
Inference Robustness (A)						
<i>p-value Robust S.E.</i>	0.040	0.045	0.043	0.000	0.000	0.000
<i>p-value Wild Bootstrap</i>	0.087	0.101	0.087	0.011	0.015	0.013
<i>p-value Permutation test</i>	0.047	0.052	0.048	0.000	0.000	0.000
Inference Robustness (B)						
<i>p-value Robust S.E.</i>	0.090	0.092	0.108	0.023	0.028	0.020
<i>p-value Wild Bootstrap</i>	0.073	0.065	0.039	0.085	0.127	0.077
<i>p-value Permutation test</i>	0.024	0.033	0.039	0.002	0.004	0.002
Mean of private take-up in high prob. group		0.785			0.797	
Includes individual covariates	No	Yes	Yes	No	Yes	Yes
Includes classroom and surveyor FE	No	No	Yes	No	No	Yes
Observations	257	257	257	254	254	254
R-squared	0.094	0.095	0.133	0.122	0.170	0.192
Sample:	Lower income school			Higher income schools		

Notes: Columns 1 to 3 restrict the sample to the lower income school, and columns 4 to 6 restrict to the higher income schools. Column 1 and 4 present OLS regressions of a dummy variable on whether the student faced a 0.25 (low) probability of getting the SAT prep package conditional on signing up, whether the student signed up for the package in public, and the interaction of low probability with public decision. Column 2 and 5 replicate columns 1 and 4 adding individual covariates (male dummy, age, and Hispanic dummy). Column 3 and 6 replicate columns 2 and 5 adding surveyor and classroom fixed effects. Robust standard errors in brackets. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

TABLE 4: EFFECT OF HIGH PROBABILITY ON SIGNUP: SPLIT BY GRADES (HIGHER INCOME SCHOOLS)

Dependent variable:	Dummy: The student signed up for the SAT prep package					
	(1)	(2)	(3)	(4)	(5)	(6)
High probability (p) dummy (A)	-0.1420 [0.121]	-0.1338 [0.113]	-0.1729 [0.112]	0.0025 [0.110]	-0.0190 [0.108]	-0.0361 [0.112]
Grades below median * high probability (B)	-0.2921** [0.118]	-0.3263*** [0.120]	-0.2979** [0.129]	0.0059 [0.102]	-0.0237 [0.101]	0.0303 [0.090]
Grades below median * low probability	0.0104 [0.119]	-0.0359 [0.114]	-0.0391 [0.118]	0.0241 [0.106]	-0.0250 [0.106]	-0.0006 [0.117]
Inference Robustness (A)						
<i>p-value Robust S.E.</i>	0.243	0.237	0.126	0.982	0.861	0.749
<i>p-value Wild Bootstrap</i>	0.290	0.384	0.292	0.982	0.880	0.799
<i>p-value Permutation test</i>	0.203	0.272	0.171	0.954	0.815	0.738
Inference Robustness (B)						
<i>p-value Robust S.E.</i>	0.015	0.007	0.022	0.991	0.825	0.691
<i>p-value Wild Bootstrap</i>	0.176	0.158	0.220	0.980	0.814	0.803
<i>p-value Permutation test</i>	0.019	0.010	0.029	0.951	0.834	0.777
Mean of signup for students with grades above median under low probability		0.656			0.791	
Includes individual covariates	No	Yes	Yes	No	Yes	Yes
Includes classroom and surveyor FE	No	No	Yes	No	No	Yes
Observations	127	127	127	126	126	126
R-squared	0.117	0.187	0.252	0.001	0.103	0.208
Sample:	Public Condition			Private Condition		

Notes: This table restricts the sample to the higher income schools. Columns 1 to 3 restrict the sample to the public condition, and columns 4 to 6 restrict it to the private condition. The dummy on whether grades are below the median is constructed by collapsing the answers to the question, "In general, how are your grades?" to two categories. Answers "Mostly A's" and "Mostly A's and B's" were coded as grades above the median. Answers "Mostly B's and C's", "Mostly C's and D's" and "Mostly D's and F's" were coded as grades below the median. Columns 1 and 4 present OLS regressions of a dummy variable for whether the student signed up for the SAT prep package on a high probability dummy, a dummy on whether the student has grades below the median interacted with the high probability dummy, and a dummy on whether the student has grades below the median interacted with the low probability dummy. Columns 2 and 5 add individual covariates (age and dummies for male and Hispanic). Columns 3 and 6 further add surveyor and classroom fixed effects. Robust standard errors in brackets. *** p<0.01, ** p<0.05, * p<0.1.

TABLE 5: EFFECT OF PUBLIC TREATMENT ON SIGNUP DECISION: BY IMPORTANCE OF POPULARITY

Dependent variable:	Dummy: The student signed up for the SAT prep package					
	(1)	(2)	(3)	(4)	(5)	(6)
Public*Important to be popular (A)	-0.3378*** [0.085]	-0.3374*** [0.086]	-0.3268*** [0.087]	-0.4286*** [0.074]	-0.3820*** [0.074]	-0.3878*** [0.075]
Public*Not important to be popular (B)	-0.1879** [0.078]	-0.1857** [0.078]	-0.1932** [0.077]	-0.1412* [0.082]	-0.1479* [0.080]	-0.1355* [0.081]
Important to be popular dummy	0.0301 [0.071]	0.0315 [0.072]	-0.0050 [0.074]	0.2286*** [0.065]	0.2196*** [0.064]	0.2255*** [0.066]
Inference Robustness (A)						
<i>p-value Robust S.E.</i>	0.000	0.000	0.000	0.000	0.000	0.000
<i>p-value Wild Bootstrap</i>	0.005	0.005	0.005	0.005	0.005	0.005
<i>p-value Permutation test</i>	0.000	0.000	0.000	0.000	0.000	0.000
Inference Robustness (B)						
<i>p-value Robust S.E.</i>	0.016	0.018	0.013	0.087	0.066	0.095
<i>p-value Wild Bootstrap</i>	0.037	0.059	0.035	0.303	0.287	0.327
<i>p-value Permutation test</i>	0.014	0.015	0.014	0.081	0.064	0.104
Mean of private signup for students who do not find it important to be popular		0.779			0.7	
Includes individual covariates	No	Yes	Yes	No	Yes	Yes
Includes classroom and surveyor FE	No	No	Yes	No	No	Yes
Observations	255	255	255	254	254	254
R-squared	0.081	0.081	0.120	0.113	0.161	0.180
Sample:	Lower income school			Higher income schools		

Notes: Columns 1 to 3 restrict the sample to the lower income school, and columns 4 to 6 restrict to the higher income schools. The dummy for whether the student considers it important to be popular is constructed by collapsing the answers to the question, "How important is it to be popular in your school?" from a 1-5 scale to a dummy variable (answers 3-5 were coded as considering it important, 1-2 as not important). Columns 1 and 4 present OLS regressions of a dummy variable for whether the student signed up for the SAT prep package on a public signup dummy, a dummy on whether the student consider it important to be popular in his/her school and the interaction of the two. Columns 2 and 5 add individual covariates (age and dummies for male and Hispanic). Columns 3 and 6 further add surveyor and classroom fixed effects. Robust standard errors in brackets. *** p<0.01, ** p<0.05, * p<0.1.

TABLE 6: EFFECT OF PUBLIC TREATMENT AND LOW PROBABILITY ON SIGNUP DECISION: MEDIAN SPLIT OF CLASSROOMS BY AVERAGE OPINION ON IMPORTANCE OF BEING CONSIDERED SMART TO BE POPULAR

Dependent variable:	Dummy: The student signed up for the SAT prep package					
	(1)	(2)	(3)	(4)	(5)	(6)
Low probability dummy	0.0027 [0.067]	0.0015 [0.068]	-0.0088 [0.069]	0.0264 [0.077]	0.0261 [0.075]	0.0251 [0.076]
Public sign-up dummy (A)	-0.1987** [0.078]	-0.1988** [0.079]	-0.2060** [0.079]	-0.3604*** [0.083]	-0.3466*** [0.083]	-0.3436*** [0.083]
Low probability*Public (B)	-0.1694 [0.110]	-0.1672 [0.111]	-0.1531 [0.111]	0.2340** [0.115]	0.2296** [0.114]	0.2419** [0.114]
Inference Robustness (A)						
<i>p-value Robust S.E.</i>	0.012	0.012	0.010	0.000	0.000	0.000
<i>p-value Wild Bootstrap</i>	0.079	0.093	0.079	0.014	0.018	0.018
<i>p-value Permutation test</i>	0.018	0.020	0.014	0.000	0.000	0.000
Inference Robustness (B)						
<i>p-value Robust S.E.</i>	0.126	0.133	0.169	0.044	0.044	0.035
<i>p-value Wild Bootstrap</i>	0.103	0.137	0.127	0.152	0.152	0.108
<i>p-value Permutation test</i>	0.045	0.046	0.068	0.008	0.008	0.005
Mean of private take-up in high probability group		0.812			0.767	
Includes individual covariates	No	Yes	Yes	No	Yes	Yes
Includes classroom and surveyor FE	No	No	Yes	No	No	Yes
Observations	266	266	266	245	245	245
R-squared	0.108	0.111	0.144	0.105	0.143	0.172
Sample:	Below median			Above median		

Notes: In this table, we split the classrooms by their average 1-5 answer to the statement “To be popular in my school it is important that people think I am smart.” Columns 1 to 3 restrict the sample to the classrooms below the median, and columns 4 to 6 restrict to those above the median. Column 1 and 4 present OLS regressions of a dummy variable on whether the student faced a 0.25 (low) probability of getting the SAT prep package conditional on signing up, whether the student signed up for the package in public, and the interaction of low probability with public decision. Column 2 and 5 replicate columns 1 and 4 adding individual covariates (male dummy, age, and Hispanic dummy). Column 3 and 6 replicate columns 2 and 5 adding surveyor and classroom fixed effects. Robust standard errors in brackets. *** p<0.01, ** p<0.05, * p<0.1

Supplemental Appendix – Not For Publication

Theory Proofs

Proof of Proposition 1. In the private setting, student i maximizes $\max_{s_i \in \{0,1\}} (b - c_i) s_i$, so $s_i = 1$ if and only if $b > c_i$, i.e., if $c_i = l$. Thus, the share of students signing up is $\Pr(s_i = 1) = \Pr(c_i = l) = q$.

In the public setting, let $r = \Pr(s_i = 1 \mid c_i = l)$ and $\rho = \Pr(s_i = 1 \mid c_i = h)$ be the shares of high and low social types signing up, respectively. Then Bayesian updating implies

$$\begin{aligned} \Pr_{-i}(c_i = h \mid s_i = 1) &= \frac{\rho(1-q)}{\rho(1-q) + rq}; \\ \Pr_{-i}(c_i = h \mid s_i = 0) &= \frac{(1-\rho)(1-q)}{(1-\rho)(1-q) + (1-r)q}, \end{aligned}$$

which are well-defined unless $r = \rho \in \{0,1\}$, and when they are not, they can be taken to be any values in $[0,1]$. Suppose first that $\rho > 0$. Then a student with $c_i = h$ is weakly better off participating than not, so

$$b - h + \lambda_s \Pr_{-i}(c_i = h \mid s_i = 1) \geq \lambda_s \Pr_{-i}(c_i = h \mid s_i = 0). \quad (6)$$

This implies

$$b - l + \lambda_s \Pr_{-i}(c_i = h \mid s_i = 1) > \lambda_s \Pr_{-i}(c_i = h \mid s_i = 0), \quad (7)$$

which means that all students with $c_i = l$ should choose $s_i = 1$, so $r = 1$. If so, we must have $\Pr_{-i}(c_i = h \mid s_i = 0) = 1 \geq \lambda_s \Pr_{-i}(c_i = h \mid s_i = 1)$, but then (6) must be violated. This proves that $\rho > 0$ is impossible in equilibrium.

Now suppose that $\rho = 0$. Consider three cases. If $r = 1$, then $\Pr_{-i}(c_i = h \mid s_i = 1) = 0$ and $\Pr_{-i}(c_i = h \mid s_i = 0) = 1$, so this corresponds to an equilibrium if and only if $b - h \leq \lambda_s$ and $b - l \geq \lambda_s$, and since $0 = l < b < h$, the first one is trivially satisfied, whereas the second gives the condition $\lambda_s \leq b$. If $r \in (0,1)$, then $\Pr_{-i}(c_i = h \mid s_i = 1) = 0$ and $\Pr_{-i}(c_i = h \mid s_i = 0) = \frac{1-q}{1-rq}$, so student with type $c_i = l$ is indifferent if and only if $b = \lambda_s \frac{1-q}{1-rq}$, so $r = \frac{b - \lambda_s(1-q)}{qb}$, which satisfies $r \in (0,1)$ if and only if $\lambda_s \in \left(b, \frac{b}{1-q}\right)$; furthermore, in this case students with type $c_i = h$ strictly prefer to choose $s_i = 0$. Thus, if $\lambda_s \in \left(b, \frac{b}{1-q}\right)$, there is an equilibrium where share $qr = 1 - \frac{\lambda_s(1-q)}{b}$ sign up. Finally, consider the case $\rho = r = 0$. In this case, $\Pr_{-i}(c_i = h \mid s_i = 1) = \mu$ and $\Pr_{-i}(c_i = h \mid s_i = 0) = 1 - q$ so this case corresponds to an equilibrium if and only if students with $c_i = l$ prefer $s_i = 0$ (then those with $c_i = h$ prefer this as well), i.e., if $b \leq \lambda_s(1 - q - \mu)$. Notice that it is possible to assign such belief μ only if $\lambda_s \geq \frac{b}{1-q}$; at the same time, if this condition is satisfied, then such belief is indeed possible to assign (e.g., $\mu = 0$, or more generally

any $\mu \in \left[0, 1 - q - \frac{b}{\lambda_s}\right]$. Therefore, if $\lambda_s \geq \frac{b}{1-q}$, then there is a PBE, and in any PBE no student signs up. We have thus proved that for any value λ_s there is a unique equilibrium behavior (which in case $\lambda_s \geq \frac{b}{1-q}$ may be supported by different beliefs regarding off-path action $s_i = 1$). This completes the proof. ■

Proof of Proposition 2. In the private setting, the problem is the same as in Proposition 1 as the public history is empty, and so only students with $c_i = l$ sign up, and their share is q . In the public setting, let $r = \Pr(s_i = 1 \mid c_i = l)$ and $\rho = \Pr(s_i = 1 \mid c_i = h)$ as in the proof of Proposition 1. Here, the assumption $h > b + \lambda_e$ implies that for a student with $c_i = h$, the cost h of signing up is higher than the benefit plus any possible gain in the peers' perception about his a_i (this gain equals $a_i - \mathbf{E}_{-i}(a \mid s_i = 0) \in [0, 1]$). This implies $\rho = 0$.

Consider types with $c_i = l$. Notice that the payoff of type $(c_i = l, a_i)$ from signing up is $b + \lambda_e a_i$, and his payoff from not signing up is $\lambda_e \mathbf{E}_{-i}(a \mid s_i = 0)$. Since the former is increasing in a_i and the latter is constant, then if some type $(c_i = l, a_i)$ weakly prefers to sign up, then for all $a'_i > a_i$, type $(c_i = l, a'_i)$ strictly prefers to sign up. This also implies that if $\lambda_e > 0$, then types that satisfy $c_i = l, a_i > 1 - \frac{b}{\lambda_e}$ must sign up in equilibrium: indeed, for such types the difference

$$\begin{aligned} & b + \lambda_e a_i - \lambda_e \mathbf{E}_{-i}(a \mid s_i = 0) \\ & \geq b + \lambda_e (a_i - 1) > b + \lambda_e \left(1 - \frac{b}{\lambda_e} - 1\right) = 0 \end{aligned}$$

and is thus positive, so they are strictly better off choosing $s_i = 1$. At the same time, if $\lambda_e = 0$, then such difference is positive for all a_i . This implies that a positive share of types choose $s_i = 1$ in equilibrium, so $r > 0$.

Let $t = \inf \{a_i \mid s_i(c_i = l, a_i) = 1\}$; then $r > 0$ means t is well-defined and satisfies $t < 1$. We have $\mathbf{E}_{-i}(a \mid s_i = 0) = \frac{qt\frac{t}{2} + (1-q)\frac{1}{2}}{qt+1-q}$. We thus have the inequality

$$b + \lambda_e t \geq \frac{1}{2} \lambda_e \frac{qt^2 + 1 - q}{qt + 1 - q}, \quad (8)$$

which must hold as equality if $t > 0$. An equilibrium with $t \in (0, 1)$ exists, therefore, if and only if

$$q\lambda_e t^2 + 2(\lambda_e(1-q) + bq)t + (1-q)(2b - \lambda_e) = 0.$$

This equation has no solutions on $(0, 1)$ if $\lambda_e \leq 2b$, whereas if $\lambda_e > 2b$ it has a unique solution (at $t = 0$ the left hand side equals $(1-q)(2b - \lambda_e) < 0$ and $t = 1$ it equals $2b + \lambda_e > 0$). This solution equals

$$t = 1 - \frac{\lambda_e + bq}{q\lambda_e} + \frac{1}{q\lambda_e} \sqrt{\lambda_e^2(1-q) + b^2q^2},$$

thus, if $\lambda_e > 2b$ there is an equilibrium where the share of students with $s_i = 1$ equals

$$q(1-t) = 1 + \frac{bq}{\lambda_e} - \sqrt{1 - q + \frac{b^2q^2}{\lambda_e^2}}.$$

Lastly, an equilibrium with $t = 0$ exists if and only if (8) holds as equality for $t = 0$, i.e., if $\lambda_e \leq 2b$. In this case, the share of students who sign up is q . This completes the proof. ■

Proof of Proposition 3. The private setting is completely analogous to Propositions 1 and 2. In public setting, the assumption $h > b + \lambda_s + \lambda_e$ implies that students with $c_i = h$ choose $s_i = 0$ in any equilibrium, for otherwise they would have a profitable deviation. This means that if we denote $r = \mathbf{Pr}(s_i = 1 \mid c_i = l)$ and $\rho = \mathbf{Pr}(s_i = 1 \mid c_i = h)$ as before, we have $\rho = 0$.

Consider the type $(c_i = l, a_i)$, and suppose that in equilibrium, he weakly prefers to sign up. This implies

$$pb + \lambda_e(pa_i + (1-p)\mathbf{E}_{-i}(a \mid s_i = 1)) \geq \lambda_s \mathbf{Pr}_{-i}(c_i = h \mid s_i = 0) + \lambda_e \mathbf{E}_{-i}(a \mid s_i = 0).$$

Since the left-hand side is increasing in a_i (as $p > 0$) and the right-hand side is constant, it must be that types $(c_i = l, a'_i)$ with $a'_i > a_i$ are strictly better off signing up, and thus must do so in equilibrium. Thus, if $(c_i = l, a_i)$ signs up in equilibrium, so do $(c_i = l, a'_i)$ for $a'_i > a_i$.

We now consider the following possibilities. First, suppose that $r = 1$, so that (almost) all types with $c_i = l$ sign up. This equilibrium exists if and only if types $(c_i = l, a_i)$ are strictly better off signing up for a_i arbitrarily close to 0. The corresponding condition is

$$pb + \lambda_e \left(pa_i + (1-p) \frac{1}{2} \right) > \lambda_s + \lambda_e \frac{1}{2};$$

this holds for arbitrarily small a_i if and only if $pb \geq \lambda_s + \frac{p}{2}\lambda_e$. Thus, for such parameter values, there is an equilibrium where the share of students who sign up equals q .

Now suppose that $r \in (0, 1)$; in this case, there is a threshold type $t = \inf \{a_i \mid s_i(c_i = l, a_i) = 1\}$ that satisfies $t \in (0, 1)$. Such equilibrium exists if and only if we have

$$\begin{aligned} & pb + \lambda_e \left(pa + (1-p) \frac{t+1}{2} \right) \\ \geq & \lambda_s \frac{1-q}{qt+1-q} + \lambda_e \frac{qt \frac{t}{2} + (1-q) \frac{1}{2}}{qt+1-q} \text{ for } a > t, \\ & pb + \lambda_s (p \mathbf{Pr}_{-i}(c_i = h \mid s_i = 1, a_i = a)) + \lambda_e \left(pa + (1-p) \frac{t+1}{2} \right) \\ \leq & \lambda_s \frac{1-q}{qt+1-q} + \lambda_e \frac{qt \frac{t}{2} + (1-q) \frac{1}{2}}{qt+1-q} \text{ for } a < t, \end{aligned}$$

where the term $\lambda_s (p\mathbf{Pr}_{-i}(c_i = h \mid s_i = 1, a))$ reflects that types with $a_i = a$ and either c_i choose $s_i = 0$ in equilibrium. For these inequalities to hold, we must have $\mathbf{Pr}_{-i}(c_i = h \mid s_i = 1, a_i = a) = 0$ for $a < t$ (notice that this is consistent with D1 criterion, because types with $c_i = h$ are never better off deviating to $s_i = 1$) and

$$pb + \lambda_e \left(pt + (1-p) \frac{t+1}{2} \right) = \lambda_s \frac{1-q}{qt+1-q} + \lambda_e \frac{qt\frac{t}{2} + (1-q)\frac{1}{2}}{qt+1-q}.$$

The last equation is equivalent to

$$pq\lambda_e t^2 + 2 \left(\lambda_e \left(\frac{1+p}{2} - pq \right) + bpq \right) t + (1-q)(2bp - 2\lambda_s - p\lambda_e) = 0. \quad (9)$$

Notice that $\frac{1+p}{2} - pq > 0$; this means that the left-hand side is increasing in p , and therefore there is a solution on $t \in (0, 1)$ if and only if it is negative for $t = 0$ and positive for $t = 1$, i.e., if $2bp - 2\lambda_s - p\lambda_e < 0$ and $\lambda_e - 2\lambda_s + 2q\lambda_s + 2bp > 0$. Thus, for $\lambda_s \in \left(pb - \frac{p}{2}\lambda_e, \frac{pb}{1-q} + \frac{\lambda_e}{2(1-q)} \right)$, there is an equilibrium with

$$t = 1 - \frac{1+p}{2pq} - \frac{b}{\lambda_e} + \frac{1}{q} \sqrt{\left(\frac{1+p}{2p} + \frac{qb}{\lambda_e} \right)^2 - q \left(\frac{1}{p} + \frac{2b}{\lambda_e} + \frac{2\lambda_s(1-q)}{\lambda_e} \right)},$$

and thus with the share of students who sign up equal to

$$q(1-t) = \frac{1+p}{2p} + \frac{qb}{\lambda_e} - \sqrt{\left(\frac{1+p}{2p} + \frac{qb}{\lambda_e} \right)^2 - q \left(\frac{1}{p} + \frac{2b}{\lambda_e} + \frac{2\lambda_s(1-q)}{\lambda_e} \right)}.$$

Lastly, consider the case $r = 0$. The payoff of a student who does not sign up equals $(1-q)\lambda_s + \frac{1}{2}\lambda_e$. The payoff of a student with type $(c_i = l, a_i = a)$ who signs up equals

$$pb + \lambda_s (p\mathbf{Pr}_{-i}(c_i = h \mid s_i = 1, a_i = a) + (1-p)\mathbf{Pr}_{-i}(c_i = h \mid s_i = 1)) \\ + \lambda_e (pa + (1-p)\mathbf{E}_{-i}(a \mid s_i = 1)).$$

Thus, such equilibrium will exist for $(1-q)\lambda_s \geq pb + (p - \frac{1}{2})\lambda_e$, if we choose out-of-equilibrium beliefs so that $\mathbf{Pr}_{-i}(c_i = h \mid s_i = 1, a_i = a) = \mathbf{Pr}_{-i}(c_i = h \mid s_i = 1) = \mathbf{E}_{-i}(a \mid s_i = 1) = 0$. However, $\mathbf{E}_{-i}(a \mid s_i = 1) = 0$ is inconsistent with D1 criterion because, as we proved above, the type $(c_i = l, a_i = 1)$ has most to gain by deviating, and thus beliefs that are not ruled out by D1 criterion must satisfy $\mathbf{Pr}_{-i}(c_i = h \mid s_i = 1, a_i = 1) = \mathbf{Pr}_{-i}(c_i = h \mid s_i = 1) = 0$, $\mathbf{E}_{-i}(a \mid s_i = 1) = 1$. With these beliefs, an equilibrium with $r = 0$ exists if and only if $(1-q)\lambda_s \geq pb + \frac{1}{2}\lambda_e$.

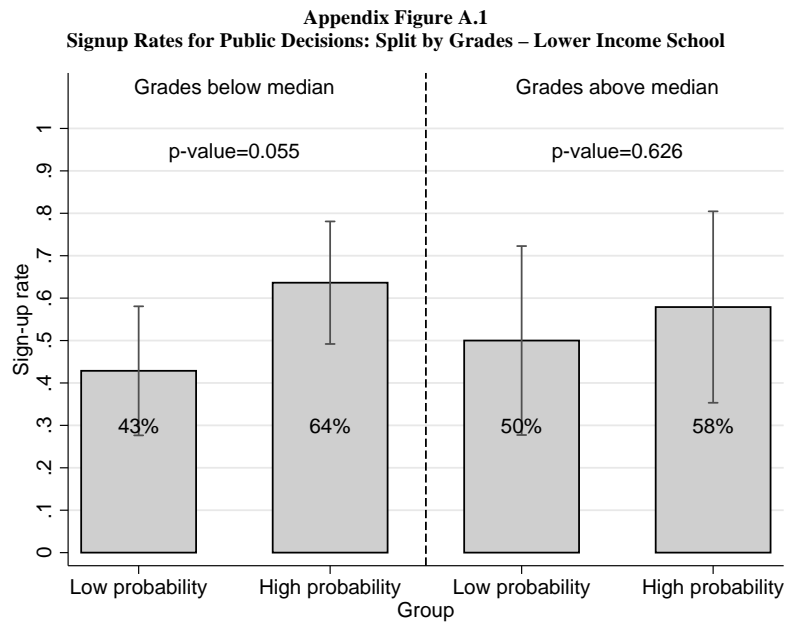
We have thus proved that for all parameters there is a unique equilibrium that satisfies D1 criterion, and it has the properties stated in the proposition. This completes the proof. ■

Proof of Proposition 4. For $\lambda_s \leq pb - \frac{p}{2}\lambda_e$, the share of students is constant and equals q . For $\lambda_s \in \left(pb - \frac{p}{2}\lambda_e, \frac{pb}{1-q} + \frac{\lambda_e}{2(1-q)}\right)$, this share is increasing, because the solution t to (9) is decreasing, as the left-hand side is decreasing in λ_s . For $\lambda_s \geq \frac{pb}{1-q} + \frac{\lambda_e}{2(1-q)}$, the share is again constant and equals 0, thus proving the statement for λ_s .

With respect to λ_e , we again only need to study comparative statics if $\lambda_s \in \left(pb - \frac{p}{2}\lambda_e, \frac{pb}{1-q} + \frac{\lambda_e}{2(1-q)}\right)$ so that the share depends on the threshold found as solution to (9). Thus, the share of students who sign up is increasing in λ_e if and only if the left-hand side of (9) is increasing in λ_e , at t that solves the equation. This is the case if and only if $pqt^2 + (p - 2pq + 1)t - p(1 - q) > 0$, and since (9) is satisfied, this is equivalent to $-bpqt - (1 - q)(bp - \lambda_s) > 0$. This is equivalent to $t < \frac{(1-q)(\lambda_s - bp)}{bpq}$, which is true if and only if for $t = \frac{(1-q)(\lambda_s - bp)}{bpq}$ the left-hand side of (9) would be positive. Plugging in and simplifying, the condition becomes $\lambda_e(1 - q) \frac{(1-q)\lambda_s^2 + b(1-p)\lambda_s - b^2p}{b^2pq} > 0$. Since $(1 - q)\lambda_s^2 + b(1 - p)\lambda_s - b^2p$ is increasing in λ_s , the share of students who sign up is increasing in λ_e if and only if $\frac{b}{2(1-q)} \left(\sqrt{(1-p)^2 + 4p(1-q)} - (1-p) \right)$, and decreasing in λ_e otherwise. Notice also that $t < \frac{(1-q)(\lambda_s - bp)}{bpq}$ is equivalent to $q(1 - t) > 1 - \frac{1-q}{bp}\lambda_s$.

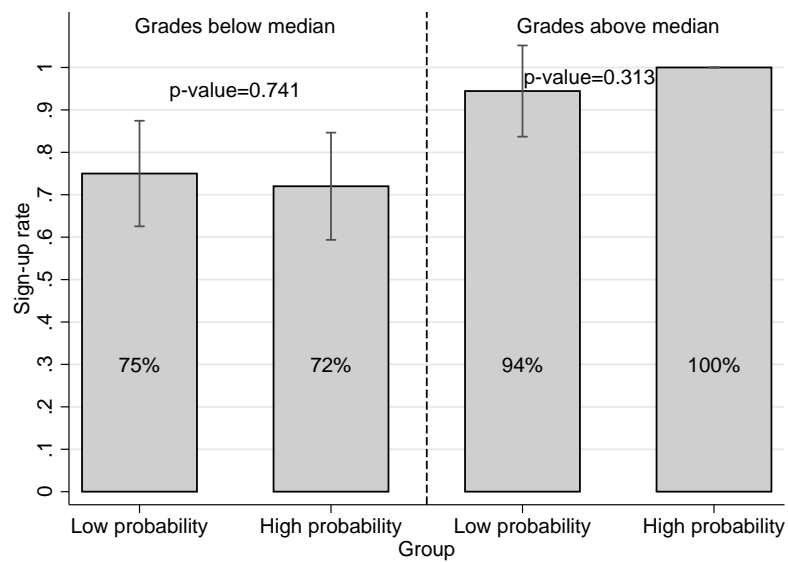
Finally, we analyze comparative statics with respect to p . The left-hand side of (9) is increasing in p if and only if $q\lambda_e t^2 + 2(\lambda_e(\frac{1}{2} - q) + bq)t + (1 - q)(2b - \lambda_e) > 0$; since (9) holds as equality, this is true if and only if $-\lambda_e t + 2\lambda_s(1 - q) > 0$. The latter is equivalent to $t < \frac{2\lambda_s(1-q)}{\lambda_e}$, which is true if and only if the left-hand side of (9) becomes positive after plugging in $t = \frac{2\lambda_s(1-q)}{\lambda_e}$. After simplifying, this becomes $p(1 - q)(\lambda_e + 2q\lambda_s) \frac{2b - \lambda_e + 2\lambda_s(1-q)}{\lambda_e} > 0$, which is positive if and only if $2b - \lambda_e + 2\lambda_s(1 - q) > 0$. Thus, the share of students who sign up is increasing in p if $\lambda_e < 2b + 2\lambda_s(1 - q)$ or, equivalently, if $\lambda_s > \frac{\lambda_e - 2b}{2(1-q)}$, and is decreasing in p otherwise. This completes the proof. ■

Appendix Figures and Tables



Notes: This figure presents the means and 95% confidence intervals of the signup rates for students in the public condition in the lower income school, separately for students with typical grades below or above the median. The dummy on whether grades are below the median is constructed by collapsing the answers to the question, “In general, how are your grades?” to two categories. Answers “Mostly A’s” and “Mostly A’s and B’s” were coded as grades above the median. Answers “Mostly B’s and C’s”, “Mostly C’s and D’s” and “Mostly D’s and F’s” were coded as grades below the median. There are 86 observations in the left panel and 39 in the right panel.

Appendix Figure A.2
Signup Rates for Private Decisions: Split by Grades – Lower Income School



Notes: This figure presents the means and 95% confidence intervals of the sign-up rates for students in the public condition in the lower income school, separately for students with typical grades below or above the median. The dummy on whether grades are below the median is constructed by collapsing the answers to the question, “In general, how are your grades?” to two categories. Answers “Mostly A’s” and “Mostly A’s and B’s” were coded as grades above the median. Answers “Mostly B’s and C’s”, “Mostly C’s and D’s” and “Mostly D’s and F’s” were coded as grades below the median. There are 98 observations in the left panel and 33 in the right panel.

APPENDIX TABLE A.1: BALANCE OF COVARIATES FOR SAMPLE REACHED IN THE SECOND VISIT TO THE LOWER INCOME SCHOOL

	Private High probability [1]	Private Low probability [2]	Public High probability [3]	Public Low probability [4]	p-value [1]=[2]=[3]=[4]
Male dummy	0.571 [0.499]	0.576 [0.498]	0.538 [0.503]	0.455 [0.503]	0.4397
Age	16.393 [0.493]	16.305 [0.500]	16.288 [0.457]	16.236 [0.543]	0.5503
Hispanic dummy	0.946 [0.227]	0.966 [0.183]	0.962 [0.194]	0.927 [0.262]	0.8083
Number of observations	56	59	52	55	

Notes: Columns 1-4 report the mean level of each variable, with standard errors in brackets, for the four different experimental conditions. Column 5 reports the p -value for the test that the means are equal in the four conditions.

APPENDIX TABLE A.2: LONGER-TERM OUTCOMES

<i>Panel A - restricting to private condition</i>						
Dependent variable: dummy that the student reported...	to have taken SAT by the time of early June 2016 visit			that he/she would have taken the SAT by the end of 11th grade academic year		
	(1)	(2)	(3)	(4)	(5)	(6)
High probability treatment	0.1332*	0.1305*	0.0989	0.1476**	0.1479**	0.1188
	[0.068]	[0.068]	[0.068]	[0.072]	[0.073]	[0.074]
Inference Robustness						
<i>p-value Robust S.E.</i>	0.051	0.056	0.150	0.042	0.043	0.110
<i>p-value Wild Bootstrap</i>	0.008	0.008	0.074	0.014	0.020	0.060
<i>p-value Permutation test</i>	0.060	0.069	0.179	0.043	0.046	0.139
Mean of take-up under low probability		0.26			0.438	
Includes individual covariates	No	Yes	Yes	No	Yes	Yes
Includes classroom and surveyor FE	No	No	Yes	No	No	Yes
Observations	190	190	190	190	190	190
R-squared	0.020	0.029	0.129	0.022	0.027	0.107
Sample:	Private condition					
<i>Panel B - full sample</i>						
Dependent variable: dummy that the student reported...	to have taken SAT by the time of early June 2016 visit			that he/she would have taken the SAT by the end of 11th grade academic year		
	(1)	(2)	(3)	(4)	(5)	(6)
Private treatment	0.0824*	0.0787*	0.0807*	0.1154**	0.1104**	0.1008**
	[0.045]	[0.045]	[0.045]	[0.050]	[0.050]	[0.050]
Inference Robustness						
<i>p-value Robust S.E.</i>	0.071	0.083	0.074	0.021	0.028	0.044
<i>p-value Wild Bootstrap</i>	0.092	0.102	0.098	0.012	0.014	0.018
<i>p-value Permutation test</i>	0.055	0.070	0.070	0.014	0.022	0.044
Mean of public take-up		0.244			0.395	
Includes individual covariates	No	Yes	Yes	No	Yes	Yes
Includes classroom and surveyor FE	No	No	Yes	No	No	Yes
Observations	395	395	395	395	395	395
R-squared	0.008	0.026	0.085	0.013	0.026	0.083
Sample:	Full sample					

APPENDIX TABLE A.2: LONGER-TERM OUTCOMES (continued)

Panel C - effects of winning the SAT prep package lottery

Dependent variable: dummy that the student reported...	to have taken SAT by the time of early June 2016 visit			that he/she would have taken the SAT by the end of 11th grade academic year		
	(1)	(2)	(3)	(4)	(5)	(6)
Dummy on whether student won lottery	0.1557*** [0.056]	0.1500*** [0.056]	0.1670*** [0.056]	0.1374** [0.061]	0.1300** [0.060]	0.1325** [0.061]
Inference Robustness						
<i>p-value Robust S.E.</i>	0.006	0.008	0.003	0.024	0.032	0.032
<i>p-value Wild Bootstrap</i>	0.024	0.026	0.012	0.034	0.042	0.034
<i>p-value Permutation test</i>	0.003	0.007	0.002	0.026	0.032	0.029
Mean of take-up among lottery losers		0.235			0.427	
Includes individual covariates	No	Yes	Yes	No	Yes	Yes
Includes classroom and surveyor FE	No	No	Yes	No	No	Yes
Observations	269	269	269	269	269	269
R-squared	0.028	0.040	0.126	0.019	0.041	0.125
Sample:	Sample of students who signed up for the prep package lottery					

Notes: Panel A restricts the sample to students in the private condition in all three schools. Panel B considers the full sample. Panel C considers only the students who signed up for the SAT prep package lottery. In Panel A, Column 1 presents OLS regressions of a dummy variable for whether the student reported to have taken SAT by the time of early June 2016 visit on the high probability treatment dummy. Column 2 adds individual covariates (age and dummies for male and Hispanic). Column 3 further adds surveyor and classroom fixed effects. Column 4-6 replicate columns 1-3 considering a different outcome: a dummy that the student reported that he/she would have taken the SAT by the end of the 11th grade academic year. Robust standard errors in brackets. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$. In Panel B, we regress the same outcomes on the private treatment dummy. In Panel C, we regress the same outcomes on a dummy on whether the student won the lottery to access the SAT prep package.

Experimental Forms

First Form – Four Treatment Groups (See Next Page)

Student Questionnaire

First name: _____

Last name: _____

Gender (please circle one): Female / Male

What is your favorite subject in school? (Please circle one)

a. Math b. English Language Arts c. History/Social Studies d. PE/Elective

[Company Name] is offering a chance to win an SAT prep package intended to improve your chances of being accepted and receiving financial aid at a college you like. The package includes:

- Premium access to the popular [App Name] test prep app for one year;
- Diagnostic test and personalized assessment of your performance and areas of strength and weakness;
- One hour session with a professional SAT prep tutor, tailored to your diagnostic test.

This package is valued at over \$100, but will be provided completely free.

If you choose to sign up, your name will be entered into a lottery where you have a 25% chance of winning the package.

Both your decision to sign up and your diagnostic test score will be kept completely private from everyone, including the other students in the room.

Would you like to sign up for a chance to win the SAT prep package? (Please pick one option)

Yes / No

If yes, please provide the following contact information:

Email address: _____

Phone number: (_____) _____

TURN OVER FORM AND WAIT PATIENTLY

Student Questionnaire

First name: _____

Last name: _____

Gender (please circle one): Female / Male

What is your favorite subject in school? (Please circle one)

a. Math b. English Language Arts c. History/Social Studies d. PE/Elective

S

[Company Name] is offering a chance to win an SAT prep package intended to improve your chances of being accepted and receiving financial aid at a college you like. The package includes:

- Premium access to the popular [App Name] test prep app for one year;
- Diagnostic test and personalized assessment of your performance and areas of strength and weakness;
- One hour session with a professional SAT prep tutor, tailored to your diagnostic test.

This package is valued at over \$100, but will be provided completely free.

If you choose to sign up, your name will be entered into a lottery where you have a 75% chance of winning the package.

Both your decision to sign up and your diagnostic test score will be kept completely private from everyone, including the other students in the room.

Would you like to sign up for a chance to win the SAT prep package? (Please pick one option)

Yes / No

If yes, please provide the following contact information:

Email address: _____

Phone number: (_____) _____

TURN OVER FORM AND WAIT PATIENTLY

Student Questionnaire

First name: _____

Last name: _____

Gender (please circle one): Female / Male

What is your favorite subject in school? (Please circle one)

- a. Math b. English Language Arts c. History/Social Studies d. PE/Elective

[Company Name] is offering a chance to win an SAT prep package intended to improve your chances of being accepted and receiving financial aid at a college you like. The package includes:

- Premium access to the popular [App Name] test prep app for one year;
- Diagnostic test and personalized assessment of your performance and areas of strength and weakness;
- One hour session with a professional SAT prep tutor, tailored to your diagnostic test.

This package is valued at over \$100, but will be provided completely free.

If you choose to sign up, your name will be entered into a lottery where you have a 25% chance of winning the package.

Both your decision to sign up and your diagnostic test score will be kept completely private from everyone, except the other students in the room.

Would you like to sign up for a chance to win the SAT prep package? (Please pick one option)

Yes / No

If yes, please provide the following contact information:

Email address: _____

Phone number: (_____) _____

TURN OVER FORM AND WAIT PATIENTLY

Student Questionnaire

First name: _____

Last name: _____

Gender (please circle one): Female / Male

What is your favorite subject in school? (Please circle one)

- a. Math b. English Language Arts c. History/Social Studies d. PE/Elective

[Company Name] is offering a chance to win an SAT prep package intended to improve your chances of being accepted and receiving financial aid at a college you like. The package includes:

- Premium access to the popular [App Name] test prep app for one year;
- Diagnostic test and personalized assessment of your performance and areas of strength and weakness;
- One hour session with a professional SAT prep tutor, tailored to your diagnostic test.

This package is valued at over \$100, but will be provided completely free.

If you choose to sign up, your name will be entered into a lottery where you have a 75% chance of winning the package.

Both your decision to sign up and your diagnostic test score will be kept completely private from everyone, except the other students in the room.

Would you like to sign up for a chance to win the SAT prep package? (Please pick one option)

Yes / No

If yes, please provide the following contact information:

Email address: _____

Phone number: (_____) _____

TURN OVER FORM AND WAIT PATIENTLY

Second Form (See Next Page)

Student Questionnaire (2)

First name: _____

Last name: _____

Gender (please circle one): Female / Male

Age: _____

Ethnicity (please circle one):

- a. White b. Black c. Hispanic d. Asian e. Other

Do you plan to attend college after high school? (Please choose one option)

- a. Yes, four-year college
b. Yes, two-year college/community college
c. No
d. Don't know

In general, how are your grades? (Please choose one option)

- a. Mostly A's
b. Mostly A's and B's
c. Mostly B's and C's
d. Mostly C's and D's
e. Mostly D's and F's

On a scale 1-5, how important do you think it is to be popular in your school?

(1: not important ... 5: very important)

1 2 3 4 5

On a scale 1-5, how much do you agree with the following statement?

“To be popular in my school it is important that people think I am smart.”

(1: strongly disagree ... 5: strongly agrees)

1 2 3 4 5

On a scale 1-5, how hard have you been studying for the SAT so far?

(1: not at all ... 5: as hard as I possibly could)

1 2 3 4 5

On a scale 1-5, do you agree with the following statement?

“If I decided to study harder for the SAT, my classmates would support my decision.”

(1: strongly disagree ... 5: strongly agrees)

1 2 3 4 5

How many points do you think this SAT prep package could improve your SAT test scores by?

Have you used any of the following to prepare for the SAT? (Circle all that apply)

A. SAT prep books; B. SAT prep app; C. SAT prep class; D. Tutor;

E. Other (please specify _____)

What % of your classmates do you think signed up for the SAT package offer today? _____%

What % of your classmates do you think have already taken or plan to take an SAT prep course other than the one we offered today? _____%

Final Follow Up Form (See Next Page)

Student Questionnaire

First name: _____

Last name: _____

Have you taken the SAT or ACT? (Please choose one option)

- a. Yes, SAT
- b. Yes, ACT
- c. Yes, both
- d. No

If you have taken one of these exams, what was your score? (Please put the number)

Score: _____

If you haven't taken these exams yet, are you planning to take them? (Please choose one option)

- a. Yes
- b. No
- c. Don't know

If yes, when are you planning to take the exam?

Month/Year: _____

Do you plan to attend college after high school? (Please choose one option)

- a. Yes, four-year college
- b. Yes, two-year college/community college
- c. No
- d. Don't know

Please choose one option: "In my school, studying hard would make me..."

- 1. much less popular
- 2. less popular
- 3. neither less nor more popular
- 4. more popular
- 5. much more popular

Suppose a classmate becomes *less* popular because he/she is studying too hard. Why do you think this would happen? (Please choose the option that describes best)

- a. Because other students don't like hard workers
- b. Because other students now think he/she is not a fun person to spend time with
- c. Because other students now think he/she is less likely to be around in the future
- d. Other reason: _____
- e. Don't know

Now suppose a classmate becomes *more* popular because he/she is studying too hard. Why do you think this would happen? (Please choose the option that describes best)

- a. Because other students admire hard workers
- b. Because other students now think he/she is a smart person and they admire smart people
- c. Because other students now think they can get help in their studying from him/her
- d. Other reason: _____
- e. Don't know

Did the [App Name] prep package offered by UCLA researchers earlier this academic year give you extra motivation to take the SAT? (Please choose one option)

- a. Yes
- b. No
- c. Don't know