Juliana Londoño-Vélez   April 25, 2016

Center for Equitable Growth Continuing Fellowship
Application

Summary Proposal: Higher education institutions are highly segregated across socioeconomic lines. This is particularly true in developing countries, where a dearth of need-based financial aid traditionally excludes low-income students from selective private institutions. Segregation in schools is undesirable because it widens the skill and wage gaps, blocks social mobility and erodes social cohesion. In contrast, supporters of policies promoting racial and/or class diversity argue that these benefit not only disadvantaged students by leveling the playing field but also *non*-minorities. Indeed, engaging in a diverse student body has been said to enhance classroom dialogue, foster positive race relations, and generally enrich students' collegiate experience. For these and other reasons, diversity, some would argue, is at the very core of the educational process, with the US Supreme Court defending affirmative action as the primary tool to achieve diversity at selective higher education institutions.[1] Indeed, today a wide majority of Americans support affirmative action programs on college campuses, underscoring the value society places on diversity and integration in schools.[2]

In spite of this, the identification of the causal effect of a more diverse student body on non-minorities' attitudes and academic outcomes has been an elusive feat for empiricists. First, diversity has been mainly promoted through affirmative action which, by definition, uses race (or, more recently, SES) as a factor in admissions. The advantage given to historically under-represented minorities makes it difficult for the econometrician to disentangle between the confounding effects of having 'diverse' peers versus low-ability peers. Moreover, since the extent to which race or SES is used as a factor in admissions varies considerably across universities, non-minorities can self-select into schools based on their affinity for having a more diverse group of peers.

I exploit a unique setting that allows overcoming these two identification challenges to estimate the causal effect of class diversity on perceptions of inequality, poverty and social mobility, beliefs of social justice, redistributive preferences, attitudes towards the poor, and academic outcomes. In an initial context of high inequality and severe de facto segregation in selective higher education institutions, a recent need-based financial aid program promoted class diversity by generating a discontinuous and unprecedented jump in the presence of low-income students at elite universities in Colombia. At Bogotá's flagship selective institution, for instance, the fraction of poor students almost quintupled from 7% in 2014 to 33% in 2016. Importantly, the policy left the admissions process at these universities utterly unaffected, as low-income students were not given any preferential treatment in college admissions. This quasi-experiment provides an ideal setting to evaluate how perceptions and attitudes can be influenced by a more diverse student body.

I find that the policy was successful at promoting diversity at selective private institutions. Peer characteristics dramatically shifted, with almost one-third of freshmen being recipients of this financial aid program in Spring 2015. For rich students, one semester of exposure to poor students fostered interactions among students from heterogeneous social backgrounds. This reduced the biases in their perceptions of income distribution, increased perception of poverty rate and social mobility, raised belief in meritocracy in college admissions, and increased support for redistribution. Unlike with affirmative action, diversity promoted through need-based financial aid did not affect academic outcomes, with both dropout rates and grades remaining largely unaffected by the policy. Moreover, applications at this elite almost doubled as a result of the policy, significantly raising average ability of new cohorts and possibly inducing younger cohorts to exert more effort and devote more resources to preparing for the high school exit exam.

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[1] Some developing countries have recently followed suit, including Brazil (whose Supreme Court imposed quotas for black, mixed-race and Amerindian students in all federal universities and technical schools in 2013) and India (the 2009 Right to Education Act reserves 25% seats to disadvantaged children in private schools).
[2] Pew Research Center (April 22, 2014) "Public strongly backs affirmative action programs on campus" (available here).

The results contribute to a rich literature on redistributive politics, peer effects, and diversity in schools. The literature in public finance and political economy has shown that preferences for redistribution respond to subjective perceptions about socioeconomic status (SES) (Cruces, Perez-Truglia and Tetaz, 2013; Meltzer and Richard, 1981), social justice (Alesina and Ferrara, 2005; Alesina and Angeletos, 2005; Alesina, Glaeser and Sacerdote, 2001), social mobility (Benabou and Ok, 2001; Piketty, 1995), the extent of inequality or poverty (Ariely and Norton, 2011; Kuziemko, Norton, Saez and Stantcheva, 2015), and reference points (Charite, Fisman and Kuziemko, 2015). I contribute to this literature by providing evidence on how a shift in peer characteristics significantly affects these outcomes six months after exposure to low-SES individuals. My paper is also related to the literature studying whether interaction reduces inter-group prejudice. Rao (2013) studied affirmative action in private schools in Delhi, and found that having poor classmates makes wealthy students more pro-social and generous, and less discriminatory against poor children. He also found that more diversity in the classroom negatively affected students' test scores in English (though not in Hindi or Math).

I seek to contribute to this literature by studying the impact of class diversity in a context of high inequality and severe de facto class segregation at selective private universities.[3] Moreover, I shed light on the question of whether policy can shape preferences among young adults who, unlike the population in Rao (2013), may exercise their democratic right to vote. Finally, the results derived from this policy speak more closely to the impact of need-based financial aid programs in other developing countries. This will become increasingly relevant as governments in other developing countries make more resources available to low-income students. For instance, Peru has recently implemented *Beca 18*, a need-based financial aid program that awards scholarships to 5,000 low-income high school graduates every year.[4]

Next Steps: The second survey wave, collected one year after the first cohort of Pilos began their undergraduate studies, presents a less rosy view on what has occurred at this elite university. The share of Spring 2015 freshmen naming at least one Pilo among their five closest friends and study partners shrunk by 40%, and the average number of times this cohort worked with a Pilo only increased from 3.05 to 3.51 in six months. This suggests there might be some kind of re-segregation at this institution, with students self-selecting into more SES-homogeneous peer groups. Moreover, rich students exposed to Pilos are more likely to claim that they receive more than they "deserve". They are also more likely to assert that the number of need-based financial aid recipients at their university should "decrease". The next part of my research project will try and understand what is affecting these changing attitudes towards financial aid recipients at this elite university.

Preliminary draft of results: The prospectus of my orals exam is available here.

LOR from dissertation advisor: My advisor is Emmanuel Saez.

Other sources of funding: Unless my application for CEG fellowship is accepted, I will probably have a GSR/GSI position for Fall 2016. The following semester (Spring 2017), I would like to continue being a GSI for Gabriel Zucman's ECON 133 "Global Inequality and Growth".

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[3]Colombia has long recorded one of the highest levels of income inequality in the world: its Gini coefficient is 0.54 and the top 1% of the population capture 21% of total income (Alvaredo and Londono-Velez, 2013). This acute income concentration translates into inequality in access to higher education, making income inequality self perpetuating (see Joumard and Londono-Velez (2013)).

[4]Unlike Colombia's SPP, Peru's *Beca 18* applicants follow a different admissions procedure than traditional applicants at selective higher education institutions. Specifically, participating institutions require *Beca 18* applicants to take an exam and write an essay to be considered for admission. Part of the reason for this is that Peru does not have a standardized high school exit exam. Moreover, once admitted, some institutions require *Beca 18* recipients to take one year worth of remedial classes.

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<small>EDUCATION</small>

University of California, Berkeley　　　　　　　　　　　June 2018 (expected)
Ph.D. in Economics

<small>PRE-DOCTORAL EDUCATION</small>

Paris School of Economics, M.A. (2nd year) in Quantitative Economics	2012
University of Paris Dauphine, M.A. (1st year) in Applied Economics	2010
University of Los Andes, B.A. in Economics, minor in Political Science	2010

<small>FIELDS OF INTEREST</small>

Public Finance, Labor Economics, and Development

<small>PROFESSIONAL EXPERIENCE</small>

<small>RESEARCH EXPERIENCE</small>

University of California, Berkeley
R.A. for Alexander Gelber　　　　　　　　　　　　　　　　　Summer 2016
R.A. for Emmanuel Saez　　　　　　　　　　　　　　　　　　2014–2015

Paris School of Economics
R.A. for Facundo Alvaredo　　　　　　　　　　　　　　　　　2012

<small>TEACHING EXPERIENCE</small>

University of California, Berkeley
T.A. in ECON 133, Global Inequality and Growth (undergraduate)　　Spring 2016

University of Paris 2 – Panthéon Assas
T.A. in Microeconomics I and Macroeconomics II (undergraduate)　　2011–2012

University of Los Andes
T.A. in course on urban development policy (undergraduate)　　　　Fall 2008

<small>CONSULTING</small>

The World Bank Group
Short Term Consultant, Macroeconomics and Fiscal Management　　2015–2016

Ministry of Education, Colombia
Intern, Planning and Finance Office　　　　　　　　　　　　　Summer 2015

Ministry of Finance and Public Credit, Colombia
Consultant, Macroeconomic Policy Division　　　　　　　　　　2013

Organisation for Economic Co-operation and Development – OECD
Intern/Consultant, Economics Department　　　　　　　　　　　2012
Consultant, Development Center　　　　　　　　　　　　　　　2011

Inter-American Development Bank
Intern, Office in Europe　　　　　　　　　　　　　　　　　　Summer 2009

PUBLICATIONS   IN REFEREED JOURNALS

"Social Mobility, Redistributive Preferences, and Happiness in Colombia", *Desarrollo y Sociedad, 68*, pp. 171–212, December 2011 [in Spanish]

WORKING PAPERS

"War and Progressive Income Taxation in the Twentieth Century", BEHL Working Paper 2014-03, September 2014

"Income Inequality and Poverty in Colombia. Part 1: The Role of the Labor Market" (co-authored with Isabelle Joumard), OECD Economics Department Working Paper No. 1036, April 2013

"Income Inequality and Poverty in Colombia. Part 2: The Redistributive Impact of Taxes and Transfers" (co-authored with Isabelle Joumard), OECD Economics Department Working Paper No. 1037, April 2013

"High Incomes and Personal Taxation in a Developing Economy: Colombia 1993–2010" (co-authored with Facundo Alvaredo), Commitment to Equity Working Paper No. 12, March 2013

"The Process of Reform in Latin America: A Review Essay" (co-authored with Jeff Dayton-Johnson and Sebastian Nieto-Parra), OECD Development Center Working Paper No. 304, October 2011

SEMINARS AND CONFERENCES

2016 (including scheduled): University of Los Andes, USC, UC Berkeley, Tobin Project
2015: UC Berkeley
2013: University of Los Andes, IARIW–IBGE
2012: Congress of Colombian Economics

AWARDS, FELLOWSHIPS, AND GRANTS

Qualtrics Behavioral Research Grant	2016
Weiss Family Program Fund	2015
Center for Equitable Growth Grant	2015
Levin Family Seed Grant	2015
INET Prize in Economic History, UC Berkeley	2014
Burch Center Fellowship	2013–2017
Economics Department Fellowship, UC Berkeley	2013
Summa cum laude, Paris School of Economics	2012
Magna cum laude (ranked 1st), University of Paris Dauphine	2010
Cum laude (top 3%), University of Los Andes	2010

SERVICE   REFEREE

Desarrollo y Sociedad

OTHER

Co-Organizer, Women in Economics Research, UC Berkeley	2015–2016
Executive Officer, Graduate Economics Association, UC Berkeley	2014–2015

COMPUTER SKILLS   Stata and LaTeX (advanced); MATLAB and SAS (basic)

CITIZENSHIP   Colombia and USA

LANGUAGES   Spanish and English (bilingual), French (fluent), Portuguese (intermediate), and Hebrew (beginner, but motivated!)

– Updated March 2016